EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

No.30,801 | Thursday March 23 1989 | D 8523A

**EL SALVADOR**
**Guerrillas win the abstention 'vote'**
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## World News

### Jordan may defer £500m Tornado deal with Britain

Jordan has indicated that it intends to shelve a deal with Britain worth almost £500m ($860m) involving eight Tornado aircraft, according to industry officials.

Allegations were published last weekend that Jordan was charged excessively high prices and that large commission payments were made on the deal. Page 26

**US-PLO talks**
US and PLO officials emerged from the second round of formal talks in Tunis stressing that the four and a half hour dialogue dealt with substantive issues related to the Middle East peace process. Page 26

**Khomeini global call**
Ayatollah Khomeini, Iran's spiritual leader, derided the West over the Rushdie affair and called for the establishment of "the global Islamic state."

**Spanish benefits**
The Spanish Government sought to placate disgruntled trade unions by cutting back on ministerial budgets and allocating the savings of $1.6bn to increase benefits. Page 2

**SA vigilante claim**
South Africa's most powerful black trade union federation and civil rights lawyers accused the police of encouraging vigilantes. Page 10

**Chilean fruit ban**
US Food and Drug Administration exempted two more fruits from its ban on Chilean produce. Page 12

**Corsica conflict**
The French Government named a top arbitrator for the strike conflict that has paralysed the island of Corsica for the last five weeks. Page 2

**Dalai Lama talks**
China has made direct contacts with the exiled Tibetan spiritual leader, the Dalai Lama, the first time Peking has publicly acknowledged a direct dialogue. Page 10

**Republican whip**
Republicans in the US House of Representatives elected Congressman Newt Gingrich of Georgia, a conservative firebrand, to the post of minority whip. Page 8

**Chemical explosion**
A fireman was killed and more than 20 other people injured after a lorry carrying industrial explosives blew up in Cambridgeshire, England.

**Waste accord**
International convention to control transport and disposal of hazardous waste was agreed by representatives of more than 100 countries. Page 26

**Lockerbie claim**
Lawyers acting for British victims of the Lockerbie air disaster were poised to begin a $90m damages action in the US.

**THE FINANCIAL TIMES** is moving its UK headquarters. From Monday our address will be: Number One, Southwark Bridge, London SE1 9HL, UK.
Our telephone number will be 44-1-873-3000.
Editorial fax numbers are 44-1-407-5700, 44-1-873-3076 and, for Company News, 44-1-873-3074. The Telex number is 922186.

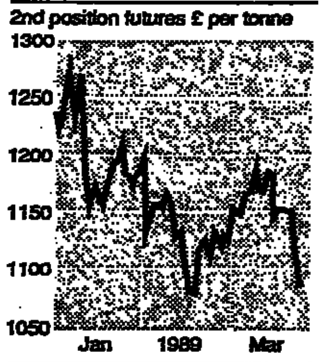
## Business Summary

### Durables fall as Greenspan issues policy warning

US durable goods orders fell sharply for the second successive month in February, but Mr Alan Greenspan, the Federal Reserve chairman, warned thatthe economy had not shown the full impact of the tight monetary policy of recent months. Page 8

**COFFEE** prices fell steeply for the second consecutive day. The May contract lost $58 to $1,860 a tonne following Tuesday's $55 fall. Dealers said the market had no will of its own, but was merely following New York down.

**Coffee**
2nd position futures £ per tonne




**NESTLE** and Jacobs Suchard, Swiss foods groups which control Rowntree, the UK confectioner, both reported substantial increases in 1988 profits. Page 27

**HARLAND** and Wolff, state owned Belfast shipyard, is to be sold to a management-employee buy-out scheme backed by Fred Olsen, the Norwegian shipowner. Page 15

**GEC** Avionics, UK electronics company, has won orders worth $51m to supply electronic parts for Chinese aircraft. Page 12

**SHIPPING** Corporation of New Zealand has been sold for $25m to Associated Container Transportation also of New Zealand. Page 30

**PLESSEY**, UK electronics group, has failed to get court backing for its attempt to force the sale to it of General Electric Company's half share of GPT, their joint venture telecommunications company. Page 16

**YEO HIAP SENG** Malaysia, leading food and beverage manufacturer, is to undergo a capital restructuring exercise that would almost double its paid up capital to more than $30m. Page 30

**CRODA** international, chemicals, cosmetics and food company,announced a pre-tax profit of $61m for 1988, a 12 per cent rise compared with 1987. Page 41

**AUSTRALIA'S** expanding tourist industry has received a boost with a federal government decision to build a third runway at Sydney's congested airport. Page 10

**CABLE** and Wireless has announced China International Trust and Investment Corporation (Citic) is to acquire a 20 per cent stake in Companhia de Telecomunicacoes de Macau (CTM). Page 30

**WOLSELEY**, world's largest plumbing and heating merchant, reported a 31 per cent jump in interim pre-tax profits to $92m. Page 41

**ALL NIPPON** Airways (ANA), Japan's second largest airline, is to buy a 3.5 per cent share in Austrian Airlines, the state-controlled carrier. Page 28

**SWAN** Hunter, privatised UK shipyard, signed a contract to build the British Antarctic Survey a new research and logistics vessel for more than $51.6m. Page 16

**FEDERAL** Express, one of the world's largest delivery companies, saw income fall in the third quarter. Page 29

# Scientists claim nuclear fusion produced in test tube

By Clive Cookson, Technology Editor, in London

TWO SCIENTISTS will make the astonishing announcement this afternoon that they have carried out controlled nuclear fusion in a test tube.

If their discovery is confirmed, they will have gone a long way towards taming the nuclear forces powering the sun and the hydrogen bomb. These could provide virtually unlimited, clean and inexpensive energy during the next century.

The two electrochemists, Professor Martin Fleischmann of Southampton University in the UK and Professor Stan Pons of the University of Utah in the US, have apparently succeeded in doing in a simple chemistry laboratory what has not yet been achieved by gigantic nuclear research projects costing hundreds of millions of dollars a year.

Nuclear fusion, which releases energy by joining together light atoms such as deuterium and tritium, has several potential advantages over nuclear fission – the process of splitting heavy atoms such as uranium and plutonium, which powers all current nuclear power stations.

Fusion is a far "cleaner" reaction than fission, producing very little radioactive waste. Its raw material, deuterium, is abundant in sea water. And fusion reactors are expected to be inherently safer than fission reactors because the fusion process would shut down automatically if anything went wrong.

Technically, the experiments carried out by Professors Fleischmann and Pons at the University of Utah are no more complex than the practical work done by typical chemistry undergraduates. They use electrochemical techniques to achieve fusion of deuterium nuclei trapped inside an electrode made from palladium, a metal similar to platinum.

"What we have done is open the door to a new area of research," Professor Fleischmann said. "Our indications are that the discovery will be reasonably easy to make into a usable technology for generating heat and power, but a lot more work is needed to prove its validity further and then to develop practical generating devices."

Physicists find it hard to believe that the deuterium nuclei could be squeezed together tightly enough for fusion to occur in the Utah experiments. But fusion experts at the UK Atomic Energy Authority, who heard about the work earlier this week, are taking it seriously, because Professor Fleischmann, 62, a Fellow of the Royal Society, and Professor Pons, 46, are distinguished scientists with a successful record of research in electrochemistry.

"We're approaching it with a sceptical but open mind," said Dr Mick Lomer, head of the authority's fusion laboratory at Culham, Oxfordshire. "We shall be doing our utmost to

Continued on Page 26
Nuclear fusion in a test tube, Page 22

# American Airlines places $4bn order for Fokker aircraft

By Michael Donne, Aerospace Correspondent, in London and Laura Raun in Amsterdam

ONE OF the world's biggest jet airliner orders was announced yesterday by American Airlines, the Dallas-based company.

The order, worth well in excess of $4bn if all the options involved are taken up, gives Fokker, the Dutch aircraft manufacturer, the biggest contract in its 70-year history. It will also give business worth more than $1.7bn including spares to Rolls-Royce of the UK, and means a big boost for Boeing of the US.

Included in the deal are 75 Fokker F-100 twin-engined, short-range airliners with an option on another 75, together with 25 Boeing 757 twin-engined, short-to-medium range airliners, with 15 more on option, and the possibility of buying up to another 70 Boeing jets, of which 40 would probably be Boeing 757s. American also firmly ordered 10 Boeing 767-300ER (extended range) twin-engined jets.

In addition, it also emerged yesterday that the Dallas-based airline, one of the world's largest, is negotiating with Saab-Scania, the Swedish automotive and aerospace group, over a possible order for 100 Saab 340s, 35-seater commuter aircraft with turbo-prop engines. This could be worth $790m.

The Fokker F-100 is powered by Roll-Royce Tay jet engines. The British company's RB-211-535E4-B engines power the Boeing 757s. If all the options are converted to firm orders, more than 500 Tay and RB-211-535 engines will be involved.

Fokker's share of the orders and options could be worth about $3.1bn to the Dutch company.

Short Brothers, the UK state-owned Belfast aircraft manufacturer, is likely to have a share of this in excess of $300m because of its 11 per cent risk-sharing participation in the F-100 jet.

Shorts builds the wings for the F-100 as well as parts for the Boeing 757, while many UK equipment and systems companies are also involved on both aircraft.

Only last May, American Airlines ordered 50 Rolls-Royce-powered Boeing 757s, with options on others some of which have now been converted into firm contracts in the latest deal. At the same time, American has extended its options list, securing positions on the production lines before committing itself to firm contracts.

The additional 70 optional Boeing jets mentioned in the deal could include a mix of 757s with Rolls-Royce engines, and 767s with General Electric or Pratt & Whitney engines. American will decide on what aircraft to buy according to how its traffic grows over future years.

The new aircraft are needed to replace the large number of ageing Boeing 727s in the American Airlines' fleet – more than 160 – as well as to cope with expected traffic growth.

The deal is by no means the biggest ever, especially for Boeing. Last May, International Lease Finance Corporation of the US placed orders worth $4.6bn for various Boeing jets.

Fokker is discussing several other big deals for the F-100, including one for 50 jets with United Air Lines of the US, with another 50 on option, as well as with US Air, Braniff and Delta.

In addition, it has linked with General Electric Company of the UK to try to negotiate the purchase of Shorts from the Government. Bombardier of Canada is also a contender to buy Shorts, with a decision expected some time in May.

Sir Ralph Robins, managing director of Rolls-Royce, said yesterday: "We worked hard for 10 years to convince American Airlines that our engines were best for its business. That hard work has paid off. Before this latest order from American Airlines our order book stood at £4.1bn."

Roderick Oram adds from New York: American said the fuel-efficient Fokkers with two-crew cockpits would be some 30 per cent cheaper to operate than the ageing three-crew Boeing 727 aircraft they would replace on US routes. They would also allow it to sell six British Aerospace 146s acquired in its takeover of Air West, a West Coast regional airline. It said the Fokker was preferable because it had 95 seats against 81 on the 146 and the large fleet would bring maintenance economies.

The Fokkers will let also let American profitably serve markets for which its present aircraft are too big or noisy. The Dutch aircraft meet, for example, the most stringent federal noise regulations and even tighter rules at Washington's National airport and Orange County airport in suburban Los Angeles.

With all aircraft makers straining to keep up with demand, the relatively early delivery dates for the Fokkers were an additional attraction, American added.

# Botha may stand down as president following elections

By Anthony Robinson in Johannesburg

PRESIDENT P.W. Botha of South Africa is expected to step down after general elections in October.

He will probably announce the date of an October election by early September or late August and not stand for re-election for another five-year presidential term.

The decision, say Western diplomats and political observers, is a compromise in the power struggle between him and Mr F.W. de Klerk, the National Party leader. It was reached on Tuesday during direct talks between the two men at Tuynhuis, the presidential complex in Cape Town.

Parliament has now adjourned for the Easter recess. But the "dignified" solution to the two-month-old political and constitutional crisis sparked off by Mr Botha's "mild stroke" two months ago is expected to be ratified by the party caucus and federal council when MPs return in two weeks' time.

Until then there is not expected to be any public announcement about the division of powers between the two. It is understood that Mr Botha, although deeply wounded by the party's public support for the transferral of executive powers to Mr de Klerk, has accepted the argument that the younger man must be given the authority which goes with his party and government responsibilities.

This would pave the way for the election of Mr de Klerk as President because the electoral college is designed to give the presidency to the candidate of the majority party in the white House of Assembly.

Police accused, Page 10

# Two leading UK merchant banks report big losses

By David Lascelles, Banking Editor, in London

TWO of the City of London's leading merchant banks reported heavy losses yesterday, underscoring the serious plight of the UK financial markets since the middle of last year.

Kleinwort Benson disclosed that it lost £17.3m ($29.7m) in the second half of the year. This was considerably more than analysts had been expecting. It left Kleinwort with a total profit for the year of £17.7m, down from £51.6m the year before.

At the same, Morgan Grenfell revealed that the total cost of its much-publicised withdrawal from the securities business just before Christmas with the loss of 450 jobs was over £45m. This wiped out the £33.8m profit which Morgan made on its other operations.

Both banking groups blamed the losses on intense competition in both the UK equities and gilt-edged markets where a large number of houses are fighting for a share of sluggish or shrinking markets.

However Mr David Peake, the chairman of Kleinworts, said his group remained firmly committed to the securities business, which Kleinworts entered at the time of the Big Bang changes in the City in 1986. "The ability to offer an integrated service is going to be what makes you a winner," he said.

Kleinwort has already taken steps to cut costs by shedding staff and imposing tougher controls over dealing positions. Mr Peake said that these measures, along with slightly livelier markets since the new year, meant the securities business was now back in profit. It was increasing its market share, and he was more optimistic about the outlook.

Morgan's losses had been expected after its dramatic decision in December to shut down both its equities and gilts operations – still the most striking retreat from the markets. Mr John Craven, the chief executive, said he was convinced the decision was right, and he had been applauded by his clients for taking "a bold and courageous" step.

Of the 450 staff who had been laid off, 376 had found new jobs, he said.

Following its drastic surgery, Morgan will now concentrate on banking, corporate finance and asset management.

News of the losses highlighted the pressures under which City houses have been operating since the collapse of confidence caused by the 1987 market crash. But analysts said that the decision by Kleinwort to keep going was indicative of the City's difficulties in achieving a much-needed reduction in trading capacity.

Of London's other leading securities houses, Phillips & Drew and County NatWest have already reported large losses for 1988. BZW reported a profit of £23m. S.G. Warburg group has a March 30 year end and will not be reporting until June.

● Salomon, the Wall Street firm that has been plagued by erratic results from securities trading, yesterday revealed it would be in the red for the first quarter of this year because of losses on trading government bonds and commodities.

The overall loss, though described as modest, is an embarrassment to Salomon, which is the pre-eminent trader in US Treasury bonds.

Lex, Page 26; Kleinwort results, Page 38; Salomon, Page 29

# Protests back Yeltsin, way is open for Sakharov nomination

By Quentin Peel and James Blitz in Moscow

SEVERAL thousand demonstrators gathered in central Moscow yesterday for the second time in four days to protest against the inquiry of the Communist Party's Central Committee into the election speeches of Mr Boris Yeltsin, the disgraced former chief of the Moscow party.

The illegal rally in support of Mr Yeltsin, who is now favourite to win the most prominent seat in Sunday's elections for the new Congress of People's Deputies, went ahead in spite of police efforts to block surrounding streets and prevent hundreds of passers-by from joining in.

In another important development, members of the Soviet Academy of Sciences late on Tuesday delivered a shock election result by throwing out 15 candidates for the Congress and thereby opening the way for the election of Dr Andrei Sakharov, the veteran campaigner for human rights.

The decision, which means that Dr Sakharov is now certain to be nominated as a candidate, demonstrated the Academy membership's contempt for the original list offered by the organisation's leadership.

Many members are furious that the list failed to include several leading proponents of reform, including Professor Roald Sagdeyev, head of the Space Research Institute, and Professor Tatyana Zaslavskaya, the economic theorist.

Members attending the Academy's special session at Moscow University witnessed the unprecedented spectacle of repeated heckling of the Presidium of one of the country's most prestigious organisations. The fact that such an overwhelming number of candidates were crossed out has led to suggestions that leading Presidium members may well have difficulty holding on to their own posts.

Dr Sakharov provoked a storm of applause by suggesting in his speech that scientists who were not in the Academy should also be nominated.

Yesterday's demonstration gathered around the statue of Prince Yuri Dolgoruky, the founder of the City of Moscow, and denounced the City Council for refusing to sanction election rallies in support of Mr Yeltsin.

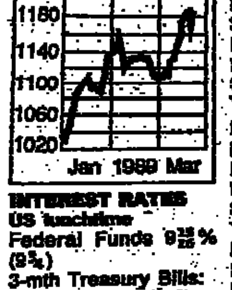
Public support for the enfant terrible of the ruling party has apparently mushroomed since the Central Committee announced last week an inquiry into his election statements. Mr Yeltsin has called for a referendum on a multi-party system.

Speakers regaled the crowd through a megaphone, urging them on in chants of "Yeltsin, Yeltsin" and "Down with Ligachev." Mr Yegor Ligachev is being seen as the man behind Mr Yeltsin's dismissal as a candidate-member of the Politburo.



## MARKETS

**Singapore**
Straits Times Index




**INTEREST RATES**
US lunchtime
Federal Funds 9 13/16% (9 3/4)
3-mth Treasury Bills: yield: 8.816% (8.42)
Long Bond: 98 3/8 (98 1/2)
yield: 9.242% (9.28)
London
3-month interbank: close 12 7/8% (13)

**STERLING**
New York close
$1.72725 (1.7245)
London:
$1.7225 (1.7240)
DM3.2200 (3.2225)
FFr10.9125 (10.9150)
SFr2.7950 (2.7925)
Y225.75 (same)

**DOLLAR**
New York close
DM1.8575 (1.874)
FFr6.3220 (6.3440)
SFr1.6170 (1.6235)
Y131.05 (131.35)
London:
DM1.8690 (1.8725)
FFr6.3360 (6.3425)
SFr1.6225 (1.6220)
Y131.10 (131.20)

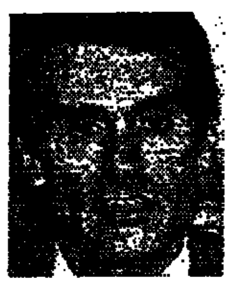
**GOLD**
New York latest
Comex April $395.1 (395.6)

**STOCK INDICES**
New York close
Dow Jones Ind. Av. 2,263.21 (-3.04)
S&P Comp 290.29 (-1.04)
London:
FT-SE 100 2,048.6 (-23.6)
World: 140.44 (Tues)
Tokyo
Nikkei Ave 31,433.24 (-211.58)
Frankfurt
Commerzbank 1,638.4 (+5.6)

**OIL**
Brent 15-day (Argus) $19.20 (-0.15) (April)
West Tex Crude $19.825 (-0.15) (May)

## CONTENTS

**Portugal labours to lift the clouds over its economy**



Transport strikes are now buffeting the Government of Anibal Cavaco Silva, whose popularity has slipped in opinion polls in proportion to the ascent of inflation and taxes and the shrinkage of real wages
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## EUROPEAN NEWS

# Portugal labours to lift clouds over the economy

### Inflation has intensified a sharp conflict between unions and the Government, says **Diana Smith**

A BALMY and sunny Portuguese winter has proved little comfort to Lisbon commuters as they struggle to go about their business despite an epidemic of transport strikes.

Stoppages have become as familiar a nuisance as the hordes of double-parked cars and delivery vans which clog narrow streets.

With the advent of spring there is no sign of a let-up in the halt of buses and trams, trains or ferries. The labour confederations, the pro-Communist CGTP (Confederacao Geral de Trabalhadores Portugueses) and independent UGT (Uniao Geral de Trabalhadores) rumble ominously about an April general strike.

Matters were not helped last week when the Government imposed harsh measures to curb excess consumption. Among other things, the anti-inflation curbs hit at the heart of Portuguese workers' aspirations by making hire-purchase instalments on cars much more expensive.

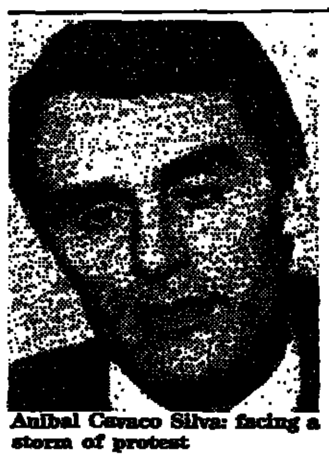
Portuguese workers are lowest paid in the European Community with a minimum industrial wage of only Esc27,600 ($180) a month. Many do not earn much more.

Now the unions want conspicuous, continuous protest against the Anibal Cavaco Silva government.

At the core of the conflict are rising inflation and its erosion of wages, a government bid to alter restrictive labour laws which have bred chronic inefficiency in many sectors, and the communications gap between the authorities and what they like to call "economic agents."

First, inflation. Over-sure of its talent for permanently squashing high inflationary expectations by the magic formula of setting low annual inflation targets, the Government got away with wizadry in 1985-87 when oil, commodities, the dollar and international interest rates fell.

But that golden era when inflation plunged from 30 per cent in 1983 to 8.9 per cent in 1987, and buying power rose 3-4 per cent a year, ended in mid-1988.



Anibal Cavaco Silva: facing a storm of protest

**Strikes began to put pressure on a government whose popularity slipped in opinion polls in proportion to rising prices and taxes. Meanwhile, the *administration* tries to break a mould of low-aspiring/ low-performing employment.**

The inherent inflation of 3-4 per cent caused by a ballooning public debt joined with rising food prices after two bad farming years to push the cost of living inexorably upward. It hit 10 per cent in October, 11.7 per cent in December and 12.2 per cent this February.

Communication between government, unions and business began to sour in the summer of 1988. The Government insisted, despite evidence to the contrary and still hoping to dampen inflationary expectations by sticking to its own scenario, that inflation would rise only 6 per cent in 1988. It reneged on a 1988 price-wage agreement which promised upward wage adjustment if inflation rose above target.

Unions accused the authorities of bad faith. When 1989 wage-price discussion began in the Permanent Social Co-ordination Council, the Government/union/management consultative body which defines annual wage-price and labour questions, unions sought increases of 11-13 per cent. This, in their view, reflected real inflation as opposed to the Government's stubbornly-repeated 6 per cent. Independent sources predict 15 per cent inflation this year because of inflation due to the rising costs of imports.

Strikes began to put pressure on a government whose popularity slipped in opinion polls in proportion to the ascent of inflation and taxes, and shrinkage of wages.

Permanent Council talks broke down in January after management confederations and the CGTP angrily rejected a private deal between Mr Cavaco Silva and the UGT leader Mr Jose Torres Couto, aiming at 8.5-9 per cent wage rises this year plus review of pensions and Social Security, and more flexible labour bargaining.

Mr Cavaco Silva retaliated against management/CGTP protests by cancelling all Permanent Council meetings and 1989 wage-price discussion, and compiling a final version of new labour laws excluding debate with management or unions, without their consultation.

The UGT was furious. The Government took no further steps on their deal, and after February inflation reached the worst levels in three years, the UGT reiterated its demand for a fairer wage deal this year.

The pace of transport strikes quickened. Protests now focus not just on money and high-handed government attitudes, but labour law reforms.

After eight years of rejection of proposed reforms by Parliament and other bodies, the Government put across wide-ranging legislation. It buries the old Portuguese notion of permanent jobs regardless of qualification – or lack of them – enshrines the concept of contracts with time limits and job specifications, sets down clearer just cause for dismissal and permits layoff for specific economic reasons without need of government permission.

The struggle to shift from a situation where it was almost impossible to sack anyone without either a lengthy court wrangle or astronomical compensation, has been something of a dialogue of the deaf.

Portuguese workers are divided unevenly between a minority who seek upward professional mobility and a majority seeking salary improvement over the years in the same safe, undemanding factory or office job – the "lifers."

The Cavaco Silva Government is trying to break a mould of low-aspiring/low-performing permanent employment.

Because of this radical change of direction and its impact on hiring-firing attitudes, the labour reforms needed tactful, malleable debate between authorities, management and unions. Management and unions, meanwhile, have been justified in complaining they were either talked down to or overlooked, and that their suggestions were usually ignored.

The idea of labour modernisation and streamlining with a view to getting closer to EC practices is valid, management and unions say: the way it was handled simply created greater tension.

So, it seems commuters may have to use their feet or their own cars for some time to come.

# Gonzalez diverts funds to boost pensions and pay

**By Tom Burns in Madrid**

THE SOCIALIST Government of Mr Felipe Gonzalez yesterday offered something of an olive branch to Spain's disgruntled trade unions by cutting back on ministerial budgets and allocating the money saved, some Pta190bn (£955m), to increase pensions, unemployment benefits and pay awards for public employees.

The measures failed to impress the unions, however, because, in the wake of a 24-general strike last December, they called for a far greater switch in budget priorities as part of an overall about-turn in the Government's economic policies.

In subsequent negotiations with the Government which eventually broke down at the end of January, the unions demanded that more than Pta400bn be spent on the elderly, the jobless and the lower paid.

Union spokesmen said yesterday's hand-out was considerably lower than the amount the Government had been offering during the January negotiations.

The cuts were most severe in the Defence Ministry which will be forced to reduce its budget by Pta25bn and in the Public Works Ministry which faces a Pta19bn shortfall and could be forced as a result to slow down its ambitious plans to improve the country's roads.

The main guidelines of the budget reallocations had been debated in the Cortes (parliament) last month and had earned the approval of opposition centre-right parties. The Prime Minister told the Cortes he did not intend to increase overall Government spending as a result of union pressure.

The unions now plan mass demonstrations on May 1 and leaders of the Socialist-lead union, the UGT, have said they will not endorse government candidates the European Parliament elections in June.

# Swedish accord may lift pay by over 9%

**By Robert Taylor in Stockholm**

A NEW national wage agreement covering 1m workers has been reached in Sweden between private sector employers and the blue-collar LO union organisation.

The deal, accepted early yesterday after weeks of negotiations, will last two years. The manual employees covered by it will receive pay rises of 5.6 per cent this year and 3.3 per cent in 1990.

"We are very happy with the new agreement. It gives all our members a real wage increase," claimed Mr Stig Malm, the LO's chairman.

Mr Olof Ljunggren, who heads the SAF organisation representing most of Sweden's private employers, said it would help in the battle against inflation.

However, no deal was reached between the employers and the PTK, the union body that negotiates for an estimated 280,000 white-collar workers in private industry.

Mr Bertil Blomqvist, the PTK chairman, argued that the employers' offer of a 4.6 per cent pay rise this year and 2.9 per cent next would mean a cut in living standards.

PTK leaders are expected to meet after Easter to decide their next step. This could involve some form of strike action or a move for the 21 unions in the organisation to bargain separately with their different employers.

The LO-SAF agreement, the first of its kind since the early 1980s, marks a return to centralised wage bargaining in the private sector. A deal between engineering workers and their employers is expected to follow a similar pattern.

The success of the negotiations owes much to the influence of Mr Kjell-Olof Feldt, the Finance Minister. He told the bargainers that he would cut marginal tax rates by a further 3 per cent in his 1990 budget, in addition to the 3 per cent tax reduction this year, if the general wage level in the agreement was kept under 4 per cent next year.

Cost of living safeguards have been included in the LO-SAF agreement. If prices rise by more than 5 per cent this year, employers will compensate their workers for 50 per cent of the increase above that figure. If prices go over 4 per cent next year the LO will have the right to renegotiate the agreement.

The problem for the overheated Swedish economy is that the new national wage agreement is not the end of the negotiations. Workers can expect further rises at local level, depending on the profitability of their companies. SAF calculates this could add 3 per cent to pay packets.

This would mean an average increase in private sector earnings this year of more than 9 per cent, with a consequent deterioration in the competitive position of exports.

The agreement will be used by union negotiators in the public sector in bargaining with the Government over pay for teachers, judges, police and other groups whose existing deals expire this spring.

Over recent years public service workers have seen their wage position decline in relation to the private sector, mainly because there is little opportunity for flexible increases through improved productivity and bonuses.

# Arbitrator appointed to deal with Corsica strikes

**By George Graham in Paris**

THE FRENCH Government yesterday named a top-level arbitrator for the conflict that has paralysed the island of Corsica for the past five weeks, with separate and escalating strikes by civil servants, teachers, fishermen, rubbish collectors and farmers.

Angry tourists have joined in the unrest, as blockades of the ports and airports have prevented them leaving.

The strikers mostly want more money to compensate for Corsica's high prices. With a *baguette* at FFr3.20 (29p), 70 centimes more than on the mainland, public sector workers are demanding a FFr1,000 "insularity bonus".

The fishermen, meanwhile, are more worried about European Community measures which they feel will put them at the mercy of their Italian competitors, with bigger boats and better equipment.

The farmers, in turn, are angry at the loss of their vegetables, rotting because of the port blockade. Yesterday they scattered 5,000 crates of wilting endives around Bastia, to add to the rubbish which has not been collected for a month.

The Government has sought to tackle the problem from the opposite end by attacking a range of monopoly and cartel practices which drive up prices on the island.

Mr Michel Rocard, the Prime Minister, after meeting Corsican Deputies in Paris on Monday, offered round-table discussions on how to increase competition, especially in the petrol, cement and bakery sectors, and on how to ensure that shipping companies pass on to consumers the benefits of a FFr753m a year state subsidy designed to cut Corsican transport costs down to the same level as the mainland.

The unrest is not nationalist in tone, and one union close to the nationalists has even rejected the idea of an "insularity bonus" as "alms".

Mr Pierre Joxe, the Interior Minister, has won a sort of grudging truce from the nationalists recently, with measures including more teaching of Corsican.

The arbitrator named yesterday is Mr Michel Prada, former director of the budget department at the Finance Ministry. He is to organise discussions on the economic policy needed on the island, and to open negotiations with the striking public sector workers.

Already, there are some signs that talks could open. Striking firemen at the airports of Bastia and Ajaccio have agreed to allow some flights to leave, though the only incoming passengers are CRS riot policemen, in anticipation of renewed rioting.

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EUROPEAN NEWS

## Arms talks optimistic despite differences

By Judy Dempsey in Vienna

THE FIRST round of negotiations on conventional armed forces in Europe (CFE) and the parallel talks on confidence and security-building measures in Vienna end today in an atmosphere described as "constructive and positive."

But significant differences between Nato and the Warsaw Pact have emerged in the CFE talks, which diplomats say could hold up progress.

The CFE talks, which aim at securing a stable balance of conventional forces at lower levels, as well as reducing the element of a surprise attack, include the 16 Nato and 7 Warsaw Pact countries. But yesterday the Warsaw Pact insisted that if the element of surprise attack was to be reduced, then Nato would have to include strike aviation and helicopters in any future reductions.

Nato, in its draft proposal presented last month, recommended that only three weapons categories – main battle tank, artillery and armoured troop carriers – be included in future reductions. Those categories and reductions were yesterday described by the Warsaw Pact as highly selective and it added that "the West will have to include the other two (categories)."

Another dispute has arisen over the zones in which reductions might take place.

Differences are also arising in the confidence negotiations. These talks, which include the 35 countries of the Conference on Security and Co-operation in Europe, aim at increasing trust through the exchange of information between East and West.

Warsaw Pact delegates yesterday said such security could not be strengthened if the West continued to exclude air and naval forces from the talks. Nato, for its part, regards the unimpeded transport of US troops across the Atlantic essential to Europe's security.

● A confident prediction that the Atlantic Alliance would continue to maintain a cohesive and credible system of defence, even in an era of East-West agreements to reduce conventional weapons, was made yesterday by Mr Pierre Harmel, a former Belgian Prime Minister.

Mr Harmel, speaking in Florence yesterday at a conference organised by the Western European Union Assembly, said that even if negotiations succeed "no one is considering total disarmament on each side as the culmination of these efforts."

There was no suggestion in the West that mutual collective defence should be abandoned and the alliance would continue to reflect a balance of national interests, he said.

Mr Harmel produced a landmark report for Nato in the 1960's advocating dialogue with the East on the basis of strengthened Western defences.

### De Mita cabinet votes today on ambitious package of measures

## Italy takes a knife to public spending

By John Wyles in Rome

THE ITALIAN Government's struggle to restore credibility to the management of public finances reaches a climax today when the cabinet is due to adopt a package which officials say is the most ambitious attempt ever in Italy to reform public spending across a broad front.

The measures, affecting 10 different areas of public expenditure, aim to cut this year's projected budget deficit of L134,500bn (£57bn) by around L12,000bn.

Following a round of exhaustive consultations, Mr Ciriaco De Mita, the Prime Minister, has won the backing of the leaders of the other four parties in his coalition. Trade union reaction, however, has been hostile, while business opinion, as reflected yesterday by Mr Giovanni Agnelli, the president of Fiat, has concluded that "the measures are not enough".

Despite the apparently solid political front behind the measures, adoption by the cabinet will not guarantee full implementation of them all. Some will be applied immediately by decrees, which must then be translated into law, while others must first be adopted by Parliament, which has still not managed to pass legislation governing more than half the measures accompanying the 1989 budget.

During nearly a month's work and under pressure from rising interest rates and a weak market for government debt, an inner cabinet of senior ministers has considerably broadened a package which originally intended to focus on public employment, health, pensions and transport.

The thrust of earlier proposals on these fronts has been largely retained: public employees will be transferred from surplus sectors, such as teaching, to areas of shortage; a wide range of health charges is to be introduced and the administration of the service reformed so as to tighten spending controls; the pensionable age for women is to be raised in phases from 55 to 65 and for men from 60 to 65, and railway fares are to be increased and heavily-loss-making lines closed.

New elements in the Government's plan are: the return to the Treasury of funds allocated for special projects but never spent, a 2 per cent cut in public purchases of goods and services, sale of shareholdings in public assets such as agricultural land, a reduction of about L1,500bn in state subsidies which reduce employers' social charges, and changes in the management of funds allocated to local authorities.

## Agnelli fights for industry control of banks

By Alan Friedman in Milan

MR GIANNI AGNELLI, the Fiat chairman, signalled yesterday that leading Italian industrialists are not ready to accept defeat in their campaign to acquire control of large banks.

In his first public statement since the Senate last week approved legislation to prevent industrial concerns owning more than 20 per cent of any bank, he suggested that a variety of industrial groups be allowed to control a series of minority stakes.

Mr Agnelli referred to this notion as the Mediobanca model, a reference to the presence of several industrial companies which hold minority stakes in the Milan merchant bank.

Mr Alberto Nicollelo, the Fiat group spokesman, explained that this meant industrialists might collectively control banks while restricting the individual ownership of companies to minority holdings.

The 68-year-old Mr Agnelli also claimed that industrial groups own shareholdings in banks in most Western nations. However, Senator Guido Rossi, the former chairman of Italy's stockmarket authority who has been among the most ardent advocates of keeping industry and banks separate, denied this was the case.

The law on banks and industry has yet to pass the lower house of Parliament where it is expected to face a renewed campaign of opposition by big industry.

One of Mr Agnelli's most surprising moves yesterday was to invoke the name of Benito Mussolini and to lament that all Italian governments, including the regime of Benito Mussolini, had historically been opposed to industry achieving a dominant position in banks.

## Haussmann revises stand on changes in W German tax

By David Goodhart in Bonn

THE long-awaited West German corporate tax reduction, due in 1992, should not be paid for by higher consumer taxes or involve a fundamental change to the *Gewerbesteuer* – a corporate tax paid to municipal authorities, said Mr Helmut Haussmann the Economics Minister.

Mr Haussmann who was revising the stance of his party, the Free Democrats, also urged Mr Gerhard Stoltenberg, the Christian Democrat Finance Minister who is also a key figure in tax reform, to show more courage in drafting the corporate tax changes.

The reform, he said, will have a better chance of being self-financing than the previous income tax changes.

West German corporate taxes are among the highest in the world. The centre-right coalition in Bonn has promised to reduce the basic corporate tax level from 56 per cent to 50 per cent by 1992 to reduce some of the disadvantages which arise from the high taxes.

Many businessmen complain that, including property rates and the *Gewerbesteuer*, the tax level is 70 per cent and that the reform will only bring it down to 64 per cent.

Other analysts and some businessmen, however, admit that when tax allowances are taken into account, the effective rate for most companies is only 40 to 45 per cent – much closer to international norms.

The opposition Social Democrat Party (SPD), following the trend of centre-left parties in Europe, has also announced its own plan to reduce corporate taxes in some areas.

It also plans to use the corporate tax system to encourage a more environment-friendly economy.

The SPD reform, part of an attempt to improve the party's image in running a market economy, would be self-financing.

It would involve lower taxes on reinvested profits – currently taxed (when declared) at a higher level than distributed profits – and much higher taxes on energy use.

● The West German call money, or the rate on overnight funds, fell to around 5.65 per cent in official money market dealings late yesterday morning in Frankfurt, from 5.80-5.90 per cent quoted Tuesday, AP-DJ reports from Frankfurt.

## Gatoil chief arrested by Swiss

THE HEAD of the Swiss oil company Gatoil (Suisse) has been arrested at the request of West German authorities investigating heavy losses at the Klöckner international trading group, an examining magistrate said yesterday, Reuter reports from Zurich.

Lebanese-born Khalil Ghattas was detained on Tuesday and is being held at Geneva's Champ-Dollon prison. He owns both Gatoil (Suisse), which has 1,200 employees and 400 petrol stations in Switzerland, and Gatoil Overseas.

A Justice Ministry spokesman said he was accused by the West German authorities of carrying out illegal futures dealings in crude oil in collaboration with Klöckner officials.

Late last year Klöckner reported heavy losses in oil trading. West Germany's biggest bank, Deutsche Bank, took it over with a capital injection of DM400m (£125m). The company's oil trading chief was dismissed and later arrested.

Klöckner said last October that the losses were largely due to defaults by other oil traders, which it did not name.

The Justice Ministry spokesman said Klöckner had estimated Gatoil's inability to pay cost it some DM650m.

## EC aid 'is threat to' environment

By Tim Dickson in Brussels

THE World Wide Fund for Nature, formerly the World Wildlife Fund, yesterday claimed that the European Community's regional and social aid programme risks causing "irreparable" damage to the environment.

In a report jointly prepared with the Institute for European Environmental Policy, the fund warns that European Governments have been hastily assembling major schemes to take advantage of the flood of new EC money, that the environmental impact of these so called "structural" funds is receiving too little attention, that the Brussels department responsible for preventing damaging projects "is seriously under-staffed", and that the poorer regions of the Community which will be the biggest beneficiaries are the most "environmentally sensitive and vulnerable" to poorly conceived plans.

The report emphasises that the resources of the EC's regional, social and agricultural funds are set to double by 1993, by which time they will exceed the current value of World Bank loans (The World Bank, it is claimed, has 10 times as many environmental experts).

The study cites peatland in Ireland – which is being planted with conifers with the aid of a large EC grant.

## Early election on cards in Austria

By Judy Dempsey in Vienna

AUSTRIA'S Socialist-led coalition could be forced into an early general election, following recent provincial polls in which the conservative People's Party (OeVP), junior partners in the Government, lost heavily to the small right-wing Freedom Party (FPOe).

Under the leadership of Mr Jorg Haider, a charismatic, populist and highly politician, the FPOe has firmly established itself as a power-broker.

The dismal performance of the OeVP has prompted calls for the resignation of its leader, Mr Alois Mock, the Foreign Minister and Vice-Chancellor. The party lost more than a third of its seats in the western province of Tirol, as its share of the vote tumbled from 64 per cent to 48 per cent. It will retain the governorship of the province, but was shaken by the spectacular performance of the FPOe, whose vote rose by 8 percentage points to more than 16 per cent. The trends are just as negative in Salzburg, where the OeVP's share of the vote fell by 6 points to 44 per cent. The FPOe's share increased by 8 points to 16 per cent, mainly at the expense of the OeVP.

It is the southern province of Kaernten which holds the key to the future political life of the coalition and the future career of Mr Haider. Because the Socialist Party's (SPOe) vote in that region fell by 5 points to 46 per cent, it can only retain the provincial governorship with the backing either of the OeVP or of the FPOe.

Mr Franz Vranitzky, the Chancellor and SPOe leader, and Mr Peter Ambrozy, the outgoing governor, have ruled out any coalition with the FPOe. However, the OeVP is reluctant to back the Socialists and are seriously considering entering a coalition with the FPOe to keep the "reds" out.

The price will be high since Mr Haider is demanding the province's top job. He has warned the OeVP that if it does not agree to a coalition, his party will further erode the OeVP vote in the next elections.

The choice facing Mr Mock is not easy. Senior Socialist officials have warned that any coalition in Kaernten between the OeVP and the FPOe would put the national coalition in jeopardy and precipitate a general election in the autumn, a year ahead of schedule.

The FPOe's success at the expense of the OeVP owes something to differences of style and leadership. Mr Mock has proved weak as party leader and indecisive in government, though he has had many opportunities to capitalise on corruption scandals in the SPOe. Mr Vranitzky, by comparison, has exuded an air of competence.

Mr Haider's success reflects both his ability to capitalise on the corruption issue, and his stress on local issues. For the many voters disenchanted with the ubiquitous petty bureaucrat, he comes across as the champion of the "small man", the opponent of "jobs for the boys".

It is against this background that the OeVP must take stock. It is due to hold its annual congress in June. In the meantime, special commissions have been set up to examine the reasons for the party's failure – as well as "personnel questions".

Its problem is that even if Mr Mock stepped down tomorrow, no one really wants the job.

## POLLUTION IN EASTERN EUROPE

# Industry takes priority at expense of public health

**Michael Smith** on ecology under communism

THE Government in Prague has declared 1989 "The Year of the Environment" and issued its six neighbours with invitations to a prime ministerial meeting on environmental protection, but residents in nearby northern Bohemia are ignoring financial incentives to stay and are packing their bags to escape horrific levels of atmospheric pollution.

They are not leaving because the forests are turning brown or because historic buildings are gradually being eaten away; it is the serious threat to their health posed by the million tonnes of sulphur dioxide that is falling on northern Bohemia every year.

Eastern Europe is suffering from a multitude of environmental problems, but the pollution of the atmosphere by sulphur dioxide – and the resultant acid rain – is one of the worst.

The main cause is the use of brown coal and the border region between Czechoslovakia and East Germany and Poland, is one of the worst affected areas in Europe.

Together, the three countries are said to extract and burn around 40 per cent of the current world output of brown coal. According to a document compiled by the Czechoslovak human rights group Charter 77, they collectively release 13.4m tonnes of sulphur dioxide into the air every year.

*The Charter 77 document,* Let The People Breathe, spoke of the Czechoslovak Government "waging chemical warfare against its own people."

It quoted an official Czechoslovak report as saying the situation in the Prague region itself had reached "a state of emergency," with up to 20 times the permitted level of sulphur dioxide in the air.

The atmospheric pollution suffered by all three countries is the result of an industrial race to compete with the West, fulfilling the pre-set targets of *national five-year plans* regardless of the immense cost to the environment. The former Slovak Premier Peter Colotka blamed "manufacturers and their superior agencies giving priority to narrowly conceived economic plans".


Prague has announced a long-term anti-pollution programme which aims, extremely *optimistically, at cutting emissions* of sulphur dioxide by 30 per cent by 1995, but the measures adopted so far have been largely ineffective and Prague Radio has reported that they are not being carried out.

Medical experts in Silesia, on Poland's border with Czechoslovakia, have also described the heavy pollution as a serious danger to health. The incidence of cancer and circulatory disease is said to be higher there than anywhere else in the world.

Polish Television recently reported that 85 per cent of the country's surface area was threatened by toxic pollution and went out of its way to point out that at least some of the blame belonged across the border in Czechoslovakia and East Germany.

The media in Czechoslovakia and Poland carry regular reports on environmental issues but *this glasnost* was to some extent forced on them by independent pressure groups, such as Charter 77 and Poland's Freedom and Peace group, which had already managed to increase public awareness and concern considerably.

The authorities have not always been grateful. Even *officially sanctioned* ecology groups have to watch their step. Following the publication of a booklet, by an officially recognised environmental organisation, on the situation in Bratislava, the Czech Government ordered all copies to be destroyed and started criminal proceedings against the booklet's editor.

The Slovak Communist Party newspaper, Pravda, accused "anti-communist propaganda" of using ecological arguments in a "struggle against socialism."

Opposition to the somewhat tardy conversion to green glasnost to be seen in Prague and Warsaw was even more marked in in the East German media until recently.

East Germany pumps more pollution into the atmosphere than any other country in Europe, but although it was the first East Bloc state to draw up laws to protect the environment, it has only just begun to admit the scale of the problem after years of classifying environmental data as secret.

Meanwhile in Poland, where the authorities say sulphur pollution alone is costing the country at least $69m a year, atmospheric pollution is getting worse – "half of it coming from neighbouring countries mainly in the south and the west".

Anti-pollution measures have proved so ineffective that a recent Polish parliamentary session was told it was cheaper for industry to pay fines for pollution than to install equipment to prevent it.

Nevertheless, the three countries desperately want to be seen to be making the effort. Deputy premiers from East Germany, Poland and Czechoslovakia met, at Poland's request, in the Silesian town of Jelenia Gora last March to put together a draft agreement on environmental protection. It was supposed to be signed in October, but the March meeting reportedly broke up in acrimony and this appeared to be confirmed when October came and went without any signing ceremony.

In December, the three countries tried again, this time in East Berlin, and again without success.

The failure of the two meetings will have come as no surprise to the independent pressure groups, which have cast doubt on the effectiveness of any agreement the three countries might reach.

# Record of neglect confronts E Germany

*By Leslie Colitt in East Berlin*

EAST Germany, confronted with enormous ecological damage done by years of environmental neglect, said the main threat to the environment came from nuclear, chemical and conventional weapons.

A two-day conference of the government's Environmental Protection Board ended yesterday at which East Germany's environmental *policies* were discussed from a "Marxist-Leninist" position.

The East German Kulturbund held talks recently with independent ecology groups which operate under the umbrella of the Protestant Church. This was something of a breakthrough as the authorities had previously raided the premises of an ecology group in East Berlin.

The Government has also unveiled a programme to reduce sulphur dioxide emissions with the aid of new East German-developed equipment. East German industry emits nearly 5m tonnes of sulphur dioxide, compared with 3m tonnes *in West Germany.*

An official for water management on the highly polluted Elbe river *said* a number of projects to prevent waste emission were underway and that the river should be cleaned up by 1992. However, environmental groups said earlier this year that the situation there was largely unchanged and that sewage flowed untreated into the river.

At the conference, the Minister for Environmental Protection, Dr Hans Reichelt, said 550 water purification plants were rebuilt since 1972 and noted that a 4.2 per cent fall in energy consumption was a key factor in reducing air pollution.

East Germany, he said, planned to equip all new and reconstructed power stations with anti-pollution equipment starting next year in order to "further reduce" emissions. He said that East Germany was among the countries with the lowest level of nitric oxide pollution while West Germany had the highest emissions in Europe.

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On March 22, 1989 at the Annual General Meeting of Shareholders the dividend for the financial year 1988 was fixed at Dfl.8 in cash, together with 2 per cent as a tax-free bonus issue to be charged to the share premium reserve. An interim cash dividend of Dfl.4.75 was distributed in September 1988. The final dividend will be payable from April 4, 1989 as follows:

- on presentation of coupon No. 39, payment of Dfl.3.75 in cash, less 25 per cent dividend withholding tax, will be made per ordinary share of Dfl.20 each;
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Dividend coupons both for cash payments and in exchange of shares may be presented at the offices of Pierson, Heldring & Pierson N.V., Kempen & Co. N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Amsterdam-Rotterdam Bank N.V., Algemene Bank Nederland N.V., Bank Mees & Hope NV and Credit Lyonnais Bank Nederland N.V. at their respective branches in Amsterdam, The Hague, Rotterdam and Utrecht, or at the offices of the Generale Bank, Bank Brussel Lambert and Kredietbank in Belgium or of Morgan Grenfell & Co. Limited, New Issue Department, 72 London Wall, London EC2M 5NL. Any shares arising from the bonus issue not claimed by December 1, 1989 will be aggregated and sold and the proceeds kept available for coupons subsequently presented on a pro-rata basis.

When a bank or broker presents coupon No. 40, these coupons should be stamped with the name of the presenting office on the back of the coupon. In connection with the exchange of coupon No. 40, a statutory payment will be made by the Company to the members of the Vereniging voor de Effectenhandel ("Association of Members of the Amsterdam Stock Exchange"); shareholders will therefore be able to collect their bonus issue without paying a commission.
Shareholders who request their bank to arrange for the delivery of the bonus issue on their behalf may be charged in accordance with the rules of the Nederlandse Bankiersvereniging ("Netherlands Bankers Association").

The necessary shares to satisfy the bonus issue in full will remain irrevocably deposited at the offices of Pierson, Heldring & Pierson N.V. in Amsterdam until December 1, 1989 to the extent that they have not been taken up by shareholders.

The Hague, March 23, 1989 — By order of the Board of Management

## AMERICAN NEWS

# Banks confused over payment of Venezuelan debts

By Stephen Fidler in Amsterdam and Joe Mann in Caracas

INTERNATIONAL banks are receiving confusing signals from Venezuela about the way the country wishes to go ahead with negotiations on its bank debts.

Bankers in Caracas report that the new administration of President Carlos Andrés Pérez has told international banks that the Government wishes to conduct negotiations on new debt restructuring agreements on an individual or regional basis, bypassing the 13-member bank advisory committee that up to now has represented Venezuela's creditor banks in negotiations of this type.

In Amsterdam, where the Inter-American Development Bank has been working, Mr Edgard Leal, the ambassador in charge of Venezuela's debt negotiations, said the Government was reviewing its bank advisory committee with a view to strengthening it.

The apparent deterioration of relations with the bank creditor group, headed by Chase Manhattan, Bank of America and Lloyds, follow negotiations of a $600m (£353m) interim financing for the country. The banks wanted to tie the bridge financing to oil exports, arguing that a conventional bridge financing would be "a bridge to nowhere". The suggestion was rejected by Venezuela.

The Government is seeking new restructuring agreements for approximately $33bn in public and private sector foreign debt. It has declared moratoriums on most principal payments for its public and private sector debt, and has told banks interest will be paid as foreign exchange becomes available to the Central Bank. Interest arrears are said to amount to $200m.

to Mr Eglee Iturbe, the Finance Minister, said that despite its financial difficulties, the Government was paying full interest and principal when due on around $5bn in non-restructured public sector foreign debt, which includes international bonds issued by the Republic of Venezuela.

# Devaluation puts squeeze on the economy

## Full restructuring may not be socially or politically acceptable, reports Joe Mann

A 150 per cent devaluation of the Venezuelan bolívar, decreed last week by the Government of President Carlos Andrés Pérez, is sending shock waves through the economy, which relies heavily on imports.

Prices for many goods and services are rising steeply, and the economy will most likely suffer a substantial contraction this year, after registering a 4.2 per cent increase in gross domestic product in 1988.

Most car assembly plants have closed down temporarily and many other companies have curtailed operations until they work out plans for coping with the new situation, especially in terms of financing imports and servicing foreign debt under the new foreign exchange system.

Many companies will be forced into severe financial straits, or even bankruptcy, by the new exchange policy, which has almost doubled the local-currency cost of imports.

The Government, concerned at the dismissal of an estimated 10,000 private sector workers in recent weeks, with the prospect of more to come, ordered a 120-day freeze on dismissals only one day after the devaluation took effect. This and other recent social welfare moves may mean the Government is not willing to permit a socially and politically painful restructuring of the Venezuelan economy.

The recent devaluation is part of a general economic programme announced by the Government on February 16 that includes removing most controls on prices and domestic interest rates, tariff reductions and a pledge to lower the Government's fiscal deficit.

The new exchange policy eliminates a dual-rate structure under which Venezuela had an official exchange rate of 14.5 bolivars per US dollar and a free market rate. It establishes a system whereby a single, floating rate is set during daily free-market trading at commercial banks and exchange houses.

Although the Government has not made the situation entirely clear, it appears the floating rate will apply to all but a handful of international financial transactions. This means that it will cover all imports, public and private sector foreign debt of $33bn and a big share of $6bn in outstanding letters of credit owed by Venezuelan importers.

Contrary to the expectations of many, the bolívar has strengthened since the devaluation was decreed last week, moving from just over 40 per dollar to 36.3 at close of trading on Tuesday.

The old official rate was used for most of the country's international transactions, including imports (around $11bn last year) and foreign debt repayments. The impact of eliminating this rate is great, since the country must import most of the raw materials and components used by industry, as well as around half of its foodstuffs.

In addition, a devaluation penalises importers financially while it rewards exporters, and in Venezuela the Government is by far the top exporter. In 1987, for example, private sector exports were only 5.4 per cent of the country's total exports of $10.6bn, while private companies accounted for 77 per cent of total imports of $8.8bn. The situation was not much different last year.

The new exchange rate system should spur investment in non-petroleum exports, but the process of converting Venezuelan industries into exporters on a substantial scale could take three years.

Before most private companies even consider the possibility of making new investments for export business, they must grapple with a variety of serious problems directly related to the devaluation, such as outstanding foreign debt, letters of credit and a domestic market reacting to sharply higher prices.

Repayment of over $6bn in letters of credit, for example, presents a dilemma above and beyond other existing obligations to foreign banks.

Until the March 14 devaluation, the Government had guaranteed foreign exchange to private companies at the official exchange rate of 14.5 bolivars per dollar to settle letters of credit. Now, however, under a new government scheme, only a portion of outstanding letters will receive foreign currency at the old rate.

The president of a big vehicle assembly plant said privately that the industry had about $700m in outstanding letters and that the Government plan meant they would get around 40 cents on the dollar. Losses for this sector alone, a major employer, will be huge, and some foreign companies may be forced to leave the country.

As the effects of this devaluation begin to be felt, business analysts in Caracas are concerned about two other key factors.

Last week's devaluation is part of an economic adjustment plan, worked out by the Government and the International Monetary Fund, meant to let Venezuela develop a more competitive economy with reduced government intervention.

But the Government, traumatised by riots three weeks ago and worried higher prices and joblessness could provoke another social explosion, is maintaining some of its paternalistic tendencies. It is trying to cushion the effects of the programme for workers by establishing obligatory private-sector wage increases and by offering a range of costly new social welfare benefits. In addition to several socially-minded measures already announced, the administration is rumoured to be contemplating a job-creation programme to keep unemployment down in a country where it has been traditionally low.

But the economy will hardly become more competitive if widespread bankruptcies occur over the next two to three years.

**VENEZUELA'S ECONOMY**

| | 1984 | 1985 | 1986 | 1987 | 1988 |
|---|---|---|---|---|---|
| Real GDP Growth (%) | −1.4 | 1.3 | 6.8 | 3.0 | 4.2 |
| Inflation† (%) | 12.1 | 11.4 | 11.6 | 40.3 | 35.5 |
| Unemployment (%) | 13.4 | 12.1 | 10.3 | 8.5 | 7.0 |
| Trade Balance ($bn) | 8.7 | 6.8 | 1.3 | 1.7 | −0.5 |
| Total Imports FOB ($bn) | 7.3 | 7.4 | 7.9 | 8.8 | 10.9 |
| Total Exports FOB ($bn) | 15.9 | 14.2 | 9.1 | 10.6 | 10.4 |
| Petroleum Exports ($bn) | 14.8 | 12.9 | 7.6 | 9.1 | 8.4 |
| Other Exports ($bn) | 1.2 | 1.3 | 1.5 | 1.5 | 1.9 |
| Balance of Payments ($bn) | 1.8 | 1.8 | −3.9 | −0.9 | −4.4 |
| Current Account Balance ($bn) | 5.4 | 3.1 | −1.5 | −1.1 | −4.9 |
| International Reserves ($bn) | 12.5 | 13.8 | 9.9 | 9.4 | 6.6 |
| Debt service payments* ($bn) | 6.1 | 5.0 | 5.1 | 4.8 | 4.7 |
| Debt Service/Exports (%) | 38.2 | 35.3 | 56.9 | 45.4 | 45.4 |
| Public Sector Debt at Yearend ($bn) | 25.64 | 26.97 | 25.89 | 26.09 | 25.60 |

*Includes interest and principal for both public and private sector foreign debt
†As measured by Consumer Price Index

Source: Central Bank of Venezuela, IMF. 1988 figures are Central Bank estimates.

# Terrorists attack Education Ministry centres in Lima

By Veronica Baruffati in Lima

ONLY days before the academic year begins, terrorists made simultaneous attacks on five Ministry of Education centres throughout Lima, killing two people and causing considerable material damage.

Molotov cocktails, petrol bombs and machine-gun fire were used in the attacks on Tuesday evening, which destroyed files, equipment and educational materials.

The director of one of the centres was shot dead by terrorists on a packed bus heading towards downtown Lima.

The educational sector has been in the news lately because of the difficulties many families are going through in trying to pool resources to get their children into school.

The cost of sending a child to a state school is estimated at around $83 (£50), more than double the minimum wage. Many families have four or five children to equip with uniforms, books and materials.

The economic crisis has also hit the private school sector, and 65,000 children are said to have transferred to the state system this year.

School desertion is expected to reach record levels this year in the state system, where families prefer to struggle to keep only their brightest child at school while sending the other children out to earn a contribution towards the family pot.

Ms Mercedes Cabanillas, the Minister for Education, after inspecting the damage caused by the attacks, said: "The Government expresses its resolute defence of human rights and democracy by condemning these cowardly attacks."

# St Kitts, Nevis ruling coalition returned at poll

THE ruling Peoples Action Movement (PAM) won a third straight term in Tuesday's general elections on St Kitts and Nevis, electoral officials said yesterday, Reuter reports from Basseterre.

When ballot counting ended yesterday, Prime Minister Kennedy Simmonds's party had won six of the eight seats on St Kitts. Its coalition partner, the Nevis Reformation Party (NRP), took two of the three seats on Nevis.

The main opposition St Kitts Labour Party, led by Mr Lee Moore, a lawyer, won two seats on St Kitts, although Mr Moore himself was defeated in his constituency. A new party, the Concerned Citizen Movement, took the other Nevis seat.

The results left the PAM-NRP coalition with one seat less than it held previously.

(Advertisement)

DAI-ICHI KANGYO BANK

# DKB ECONOMIC REPORT

**March 1989: Vol. 19, No. 3**

## Price developments give cause for concern

The national budget for the first year of Heisei (FY1989), currently under Diet deliberation, sets the scale of total expenditures in the general account at ¥60,414 billion, which marks a 6.6% increase over the 1988 initial budget. The general spending represents a 3.3% increase compared with the preceeding year — the biggest increase in the past eight years. The increase derives primarily from the significant growth in overseas development aid, defense-related spending and social security outlays, added to the government's newly introduced consumption tax burden. The proposed budget also includes such expenditures as the new Shinkansen ("bullet train") railways' construction as well as revitalization programs for provincial areas, which are indicative of the government's shift from the past emphasis on restraining expenditures.

Despite the increases in expenditures, the total amount of new government bonds issues planned for the year is reduced by ¥1,730 billion compared with the 1988 initial budget because a substantial growth in the tax revenue is expected. The goal of the national budget reconstruction which calls for no reliance on deficit-covering bonds by FY90 seems to be within reach. The outstanding balance of the government bonds at the end of FY89 is, however, estimated at over ¥160 trillion, which means that the fact that one-fifth of the total expenditures must be allocated for the debt expenses including interest payments remains unchanged. Thus, there is a continuing need for an efficient fiscal operation without relaxing expenditure controls.

**Japanese economy continues firm expansion**

A glance at the FY89 budget from the economic point of view indicates that the budget including the public works-related expenditures is generally neutral, neither encouraging nor discouraging economic growth. This is because any fiscal countermeasures by the government are felt unnecessary as the country's economy is sustaining its buoyancy. The strength of the Japanese economy is presently fuelled by personal consumption and capital investment as well as the recent growth in exports.

Personal consumption remains brisk, bolstered chiefly by increases in household income. The year-to-year income increase of wage-earner's household rose from the 1987 annual average of 1.7% to 3.8% for the first eleven months of 1988. In addition, the average increase in disposable income rose from 2.1% to 4.0% as a result of the tax cut. Consequently, yearly growth in sales at large retail stores including department stores escalated to 6.4% for July to September and to 6.8% for October to December, 1988 compared with 4.9% registered in 1987.

Nonetheless, growth in the sales of such durable consumer goods as furniture and home electric appliances is actually declining. This in part is a result of the unusually mild winter, which caused the sales of heaters to drop sharply. It is conceivable, however, that impacts of the diminishing trend in housing construction is in the undercurrent. The slow-down in durable goods consumption will not immediately result in a decline in the growth rate of total consumption because personal income is growing steadily. It is necessary, however, to keep a close watch on the future sales trend in durable consumer goods because it has more impact on the overall economy than sales of other goods and services.

Capital investment is sustaining the incremental force. The year-to-year rises in both machinery orders (in private sector, excluding vessels and electric power) and construction orders, which provide a good picture of the trend in capital investment for the next three to six months, have been significant — 21.7% and 25.8% from July to September and 25.0% and 19.6% from October to December, 1988 respectively. These figures indicate that capital investment will remain strong for the coming months. Responding to the expansion of domestic demand, companies' capacity utilization rate is rapidly increasing. In addition to their strong inclination toward investments for production increases, companies are continuing to promote R&D and new product development investments aimed toward exploration of new markets as well as introduction of high-value-added products, which in turn is bolstering active capital investment.

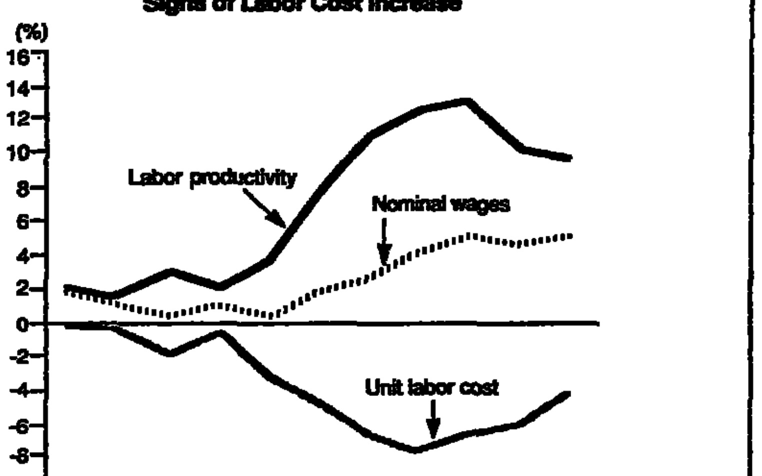
In addition, exports have recently been accelerating their pace of growth, particularly in capital goods led by general machinery and electric appliances. Approximately 20% growth in exports in dollar terms has been maintained recently compared with the preceeding year. This is primarily because of world-wide briskness in capital investment as well as strong demand for materials necessary for overseas plant construction as a result of increasing direct overseas investment by Japanese companies.

**Inflationary pressures intensify**

While the Japanese economy continues its healthy expansion, signs of uneasy concern are beginning to be observed in its future price behavior. Commodity prices which are extremely stable at the moment are supporting the economy. One area of concern, however, involves the diminishing trend of manufacturing industry's year-to-year decline in labor cost (Figure) which exerts a significant impact on companies' production costs. In other words, manufacturing companies have not recently been able to reduce their labor cost as they did in the past. The statistics by the Employment Security Office indicate that the number of job offerings has continued to exceed the number of job seekers, thus tightening the labor market situation. Depending on results of the spring labor offensive, it is feared that the cost of labor, which has functioned as a price-stabilizing factor to date, may have the opposite effect in the future. A tightening trend in the goods market is also becoming obvious. The capital utilization rate of companies has been mounting to the highest level in the past ten years and the number of companies who foresee a tightening product supply situation is increasing in the BOJ's Business Outlook questionnaire.

In addition, crude oil prices have been firming up recently and the exchange market is seeing a softening yen, pushing up the import prices of foreign goods. The upward pricing impact of the consumption tax to be introduced from April should not be overlooked, either. The basic note of the high yen which has supported the price stability is not likely to change drastically at the moment. However, the above-mentioned factors may surface to escalate the inflation rate, should the yen decline.

**Signs of Labor Cost Increase**




Note: 1. Year-to-year % changes in the manufacturing industry.
2. '88 III quarter labor productivity and unit labor cost are DKB's estimates.
Source: Japan Productivity Center, Ministry of Labor

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The next DKB monthly report will appear April 21.

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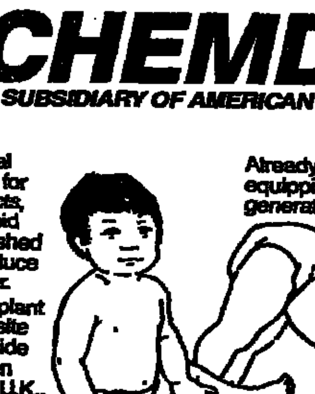

In response to substantial growth in world demand for personal hygiene products, the giant American Colloid Co. of Illinois has established Chemdal Limited to produce super absorbent polymer.

Its new high technology plant on a four acre river side site provided by the Merseyside Development Corporation will serve markets in the U.K., Europe, Africa and the Middle East.

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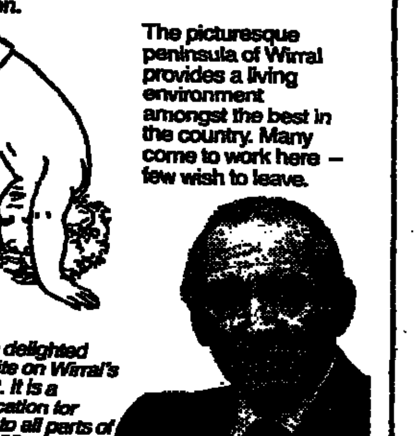

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Frank Birch, Managing Director, Chemdal Limited, Birkenhead Road, Seacombe, Wallasey, Merseyside L44 7BU.

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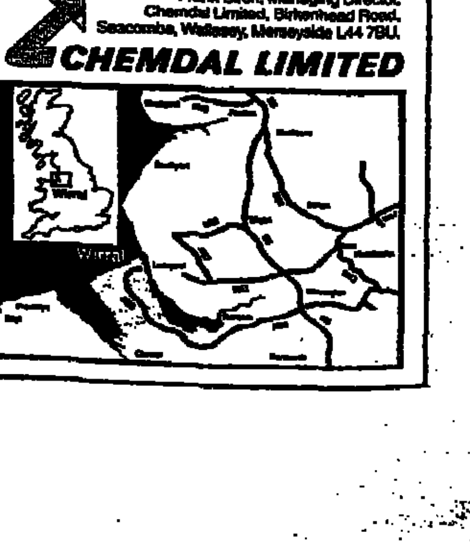

Find out how Wirral can absorb your development by contacting: David Hunt, Industrial Development Officer

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# BEFORE YOU ENTER THE NATIONAL TRAINING AWARDS FIND OUT WHAT YOU'RE LETTING YOURSELF IN FOR.

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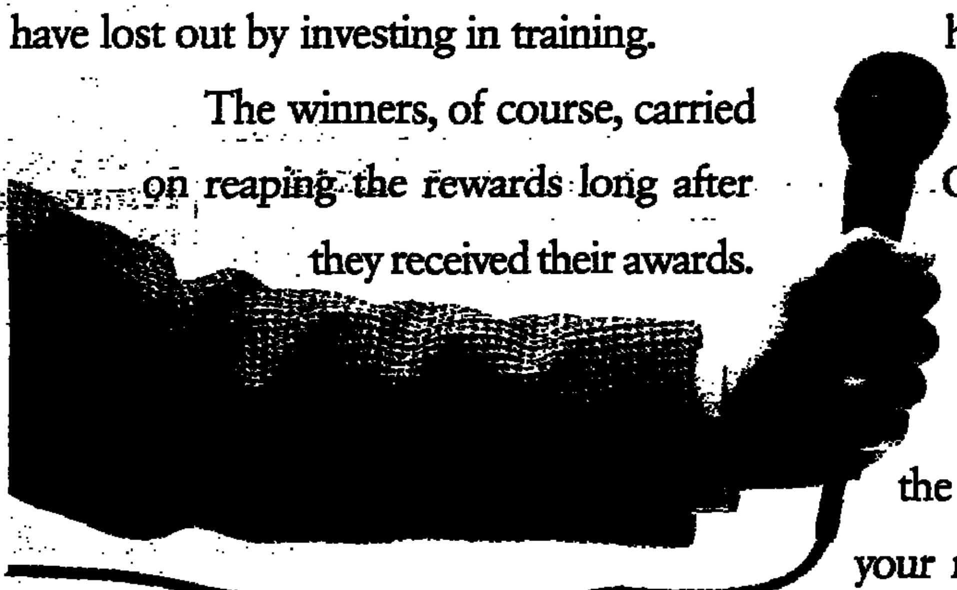
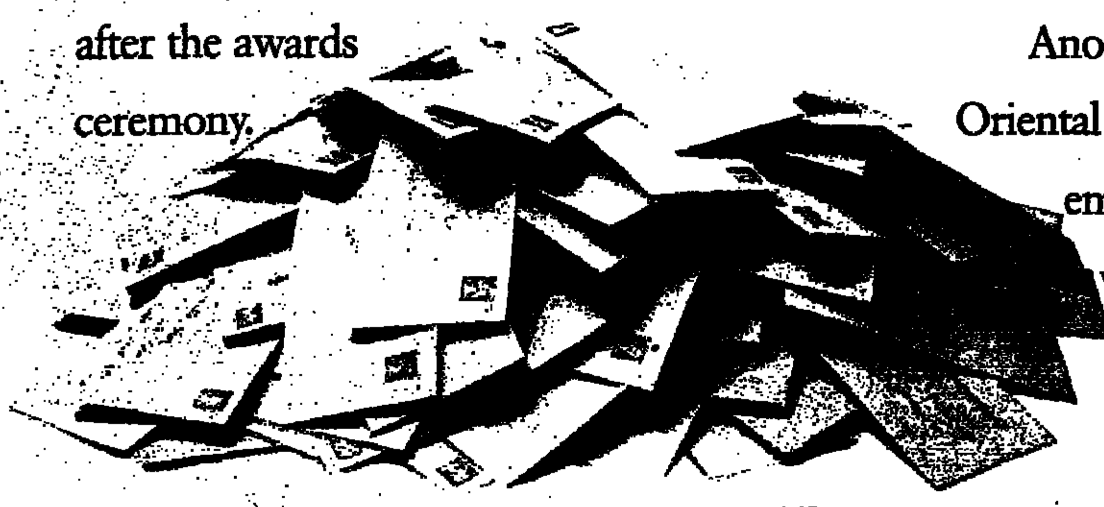


FREE PUBLICITY

For a start, they were the subject of a lot of media attention, both nationally and regionally.

Channel 4's 'On Course' broadcast the awards ceremony, while its 'Business Daily' programme showed a series of filmed reports on the winners.

'The Times' had a special supplement devoted to them which appeared the day after the awards ceremony.



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Some of them will also be featured in our national advertising campaign (like this ad for example).

Then there is the regional awards ceremony which gives the winners another opportunity for publicity, (as if they didn't have enough to smile about already).

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For example, if you display the National Training Award logo on your recruitment advertising, you'll find the quality and quantity of job applications you receive will improve.

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Indeed, at The Royal Bank of Scotland (one of last year's winners) training helped to increase profits by 49%.

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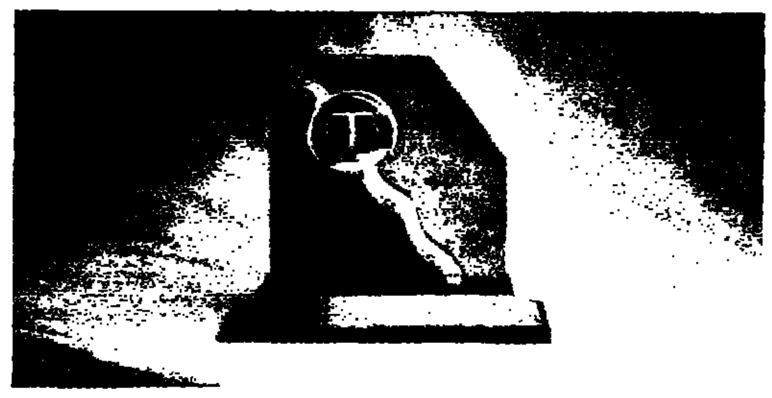
MORE BUSINESS

and their output has improved by 20%.

Results like these will not only impress our judges, they will also impress your prospective customers.

And that's the bottom line.



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# Gingrich elected as Republican minority whip

**By Lionel Barber in Washington**

REPUBLICANS in the House of Representatives yesterday elected Congressman Newt Gingrich of Georgia, a conservative firebrand, to the post of minority whip, in a vote which heralds a new generation of leadership in the party.

Mr Gingrich triumphed by 87-85 in a secret ballot over Congressman Edward Madigan of Illinois, the personal choice of the House Republican Leader, Mr Robert Michel, who wanted a more amenable candidate for the number two post. The Republicans have 174 representatives, against 258 Democrats.

Mr Gingrich, 45, catapulted himself into the running for the whip's job after leading a successful campaign for an investigation into alleged ethical misconduct by the House Speaker and Democrat Leader, Mr Jim Wright. A house committee is due to report shortly and Mr Wright's survival is by no means assured.

The election of Mr Gingrich signals that House Republicans – who have been in the minority for 34 years – are tired of the accommodating style favoured by Mr Michel, who is 66 and in his 33rd year in Congress.

But it is unclear how Mr Gingrich intends to reconcile his hyperbolic aggression with the more mundane demands of his new job: being the party's legislative tactician and trying to woo the odd Democrat in order occasionally to frustrate what looks like a permanent majority.

Mr Gingrich will also focus on future national legislative elections, with the key campaign looming in 1992 – after the 1990 election boundary changes. Mr Gingrich has made it clear he wants to break the Democrat stranglehold and, unlike Mr Michel, he supported paying Mr Ed Rollins $250,000 a year to head the national Republican congressional campaign.

Mr Gingrich's victory is a welcome fillip for the Republican Party's conservative wing, which has been in decline since its heyday in the early 1980s when Ronald Reagan won two presidential elections.

The question which some Republicans were asking yesterday is how Mr Gingrich's confrontational style will co-exist with President George Bush's insistence that he wants to co-operate with the Democratic majority in Congress.

# Supreme Court ruling gives backing for Bush war on drugs

**By Lionel Barber**

HAS the US Supreme Court become a proxy in President George Bush's "war on drugs"?

In its first rulings on the constitutionality of testing for drug use on the job, the court this week broadly supported the federal Government's campaign to create a drug-free workplace.

The Bush administration welcomed the decision and intends to apply it to a rapidly expanding programme to detect drug abuse among federal workers. More than 1m workers could be affected.

But civil rights groups criticised the two rulings. "It does the same harm as wiretapping everybody in New York City because there is an epidemic of theft," said Mr Ira Glasser, executive director of the American Civil Liberties Union. "Its main impact will be to injure innocent people."

Whatever the case, the two rulings appear to mark a further curb by the court's conservative majority on the concept of privacy.

This could be further eroded when the Court reviews the key *Roe v Wade* ruling broadly upholding a woman's right to an abortion.

One case this week concerned a 1985 regulation by the federal railroad administration subjecting all crew members of trains involved in serious accidents to mandatory blood and urine testing for drug use. The Government's case was upheld 7-2, mainly on the grounds of public safety.

The other case concerned drug testing for federal workers in the US Customs Service proved far more problematic, with Justice Antonin Scalia, usually aligned with the conservatives, joining the liberal minority in a 5-4 decision. Under the ruling, workers involved in intercepting drugs or carrying firearms face testing; but another category – those handling classified material – would be excluded. Both opinions were written by Justice Anthony Kennedy, the newest addition to the court.

*By coincidence, the court's* rulings came in the same week that Mr Bush took his anti-drug campaign to the country, warning an audience yesterday in Lancaster, Pennsylvania, home of the upright Amish people, that drug abuse had hit small-town America.

● William von Raab, US Customs Service Commissioner, said on Wednesday the next step after his victory in the Supreme Court may be random drug testing, Reuter *reports from Washington.*

"As far as random testing is concerned, as part of the executive branch we have a plan which is in the Justice Department for review," he said in a television interview.

Mr Robert Tobias, president of the National Treasury Employees Union, which lost the Supreme Court case, said on the same television programme that his union would try to "keep the case on a very narrow basis and have it apply only to those who carry firearms and are directly involved in drug interdiction activity."

# US durable goods orders continue to decline

**By Anthony Harris in Washington**

US DURABLE goods orders fell sharply for the second successive month in February, the Commerce Department reported yesterday. Meanwhile Mr Alan Greenspan, the Federal Reserve chairman, gave a warning during a congressional appearance that the economy had not yet shown the full impact of the tight monetary policy of recent months.

Mr Greenspan added that while the market had been shocked by the rises in producer prices in the last two months, the Federal Reserve had been aware of the pressures which led to these increases for many months. His remarks appeared to indicate that the Fed will hold to its present policies, neither tightening further because of the inflation figures, nor relaxing because of figures indicating slower activity.

The 3.6 per cent fall in the volatile durable orders figures followed a fall of 2.9 per cent in January, and the two declines largely wiped out the 7.6 per cent November rise.

The main cause of the February decline was an 8.5 per cent fall in transport orders, reflecting both overstocking in the car industry and a dip in new aircraft orders. The motor industry's troubles also led to a sharp drop in steel orders, and there was a decline of 8.9 per cent in new orders for civilian capital goods from the high level reached in January.

Even at the diminished rate of February, however, new orders continued to outpace deliveries, and order books, up 1.1 per cent apart from defence, rose for the 26th successive month.

# US economic growth 'slowing'

RECENT US economic data point to a slowing of economic growth, Mr Manuel Johnson, Federal Reserve Board Vice Chairman said yesterday, AP-DJ reports from New York.

He was speaking with reporters before a speech to a *Securities Industry Association* conference.

# Guerrillas win abstention 'vote'

## Tim Coone analyses the result of the El Salvador elections

There were two winners in last Sunday's presidential elections in El Salvador. The official winner was the right-wing Arena party; the unofficial winner, on the "invisible" vote, was the FMLN guerrillas.

The guerrillas had proposed that the elections be postponed for six months, in return for which they would accept the election result. The proposal was rejected at the last moment, so Sunday's elections took place against the background of a guerrilla offensive, a nationwide transport strike and power blackouts as part of the guerrilla boycott of the polls.

For Arena, its victory on a 50 per cent voting turnout has been the culmination of a progressive occupation of power, starting with control of the armed forces, growing through the legislature and judiciary, to finally capture the last bastion of power, the presidency itself. The Government of Mr Alfredo Cristiani, the president-elect, will be a powerful one.

The guerrillas meanwhile argue that the high level of voting abstention was a vote in favour of them. Added to the spoiled votes, and those obtained by the Convergencia Democratica (CD), the left can perhaps claim it has as much support as the right.

The mystique of the guerrilla fighters is a powerful one. The FMLN seems to absorb every blow and come back stronger, a nightmarish, demoralising process for a regular army. The fighting in the capital, and the sense of siege that was created by it on election day, was achieved with only a handful of guerrillas. By sending helicopter gunships against them, the army let the whole capital know that a war was going on in the very suburbs and revealed that the armed forces were on the defensive.

The FMLN is a sophisticated guerrilla army or, as Mr Cristiani now recognises them, an armed political force. With only 7,000 fighters, it can tie down an army of 45,000 and still take the military initiative.

There is thus an important change in the right-wing rhetoric which normally refers to the FMLN merely as extremist terrorists. The change is as significant as the shift in the FMLN's own position, preparing to abandon the military struggle in exchange for a political one.

But there is much scepticism as to whether Arena really means to negotiate. Mr Cristiani freely admits that Arena is trying to clean up its blood-spattered human rights image. Major Roberto d'Aubuisson, the charismatic ultra-right leader in the party, wields much power within its structure and is popular with the middle and junior ranks of the armed forces. "How much can they control their own people? They oppose everything the FMLN stands for," mused one foreign observer to the elections.

None the less, Major d'Aubuisson and senior military officers have all been taking the same line as the more moderate president-elect in the past week: that there have been direct contacts between Arena and the guerrillas, and that peace is not possible without a negotiated settlement.

Mr Cristiani said last week: "The constitution is not unchangeable, but any change has to be approved by a majority within the Assembly, and not just by bilateral talks between the Government and the guerrillas. It is a process that has to be supported by all the political forces."

The key factor in future talks will be to create institutional changes, such that the real political weight of the FMLN and its social-democrat FDR allies, can influence the course of the country from within its institutions, rather than by fighting against them from without.

However the left-wing CD alliance, of which the FDR is a part, received only 3 per cent of the vote, according to preliminary results. Ironically, this was most probably due to the FMLN's boycott. Any abstentions were almost certainly votes that would have gone to the CD, although that has to be qualified by the fact that 400,000 new voters of the total 1.9mn registered had not been issued with voting cards.

Paradoxically then, the relative success of the FMLN boycott may have also lost it the possibility of gaining institutional legitimacy via the CD. The social democratic influence of the CD in the FDR-FMLN alliance will thus be reduced, while that of the FMLN, an openly Marxist-Leninist guerrilla movement, will be commensurately increased. The theoretical carve-up of the "invisible" vote and how it is perceived by the different groups who claim its significance, is thus important in how the next steps towards negotiation will be made.

If Arena overestimates its own success, reading the results to suggest guerrilla weakness, it will push a hard line, both at the negotiating table and on the battlefield. Equally, if the FMLN overestimates the level of its support within the abstention "vote", this may also lead to obstinacy and a wish to first test military and political strength, both on the battlefield and in the streets, before talking.

The defeat of the centre in these elections, both of the ruling Christian Democrats and of the CD, means the negotiating stage for peace will now be shared by the real powers behind the guns, and not just the centrist figures that have stood in front of them as in the past. If the elections eventually prove to have helped bring the extremes closer together, they will have been a success. If however they are the presage to a brief flurry of insubstantial talks, followed by all-out war, then they could prove to have been a disaster.

# Deal likely to lead to IADB capital increase

**By Stephen Fidler, Euromarkets Correspondent, in Amsterdam**

AN ACCORD which will pave the way for a capital increase for the Inter-American Development Bank was hammered out yesterday, ending a three-year dispute between the US and the bank's main Latin American shareholders.

The agreement is expected to boost the capital of the bank, founded 20 years ago to channel development finance to Latin America, by $26.4bn (£15.5bn) and to allow a $22.5bn lending programme for the years 1990-1993.

It will also mean for the first time that the bank, whose lending has halved over the last five years as the struggle over the capital increase has dragged on, will be able to allocate 25 per cent of its lending for so-called sector development loans, aimed at improving the efficiency of segments of the economy.

However, because it is argued the bank has yet to develop an expertise in the area, it will for two years have to make such loans as co-financing to World Bank structural adjustment loans.

An informal prior agreement between the US and the four main Latin American shareholders over the power to delay loans by the bank – the main point at issue – had raised hopes that an agreement would be likely at the meeting, which ended yesterday.

However, it appeared new proposals introduced by the US on Saturday night block a final accord before the end of the meeting. The agreement, by the policy-making Committee of the Board, must be ratified by the 44 member governments. When this has been done, the funding – only a fraction of which is to be paid in – must be subsequently approved by legislatures.

According to delegates, US negotiators, headed by Mr David Mulford, the US under-secretary-designate for international affairs, took a tough line throughout the talks, notwithstanding the most positive US public statements about the bank and its president, Mr Enrique Iglesias, in years. The US also stressed the need for the IADB to improve its treatment of environmental issues.

"President Iglesias has already begun to create a stronger institution which can address the very serious problems of our Latin American and Caribbean countries," Mr Mulford said.

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BEST PRACTICE PROGRAMME

**Energy Efficiency Office**

DEPARTMENT OF ENERGY

# S African police accused of supporting vigilantes

By Anthony Robinson in Johannesburg

SOUTH Africa's most powerful black trade union federation and civil rights lawyers yesterday accused the police of aiding and abetting vigilante violence in the Pietermaritzburg area of Natal.

In the past three years nearly 1,200 people have died in an undeclared civil war between supporters of the Zulu Inkatha movement and the United Democratic Front (UDF) in the area.

Mr Jay Naidoo, general secretary of the Congress of South African Trade Unions (Cosatu), said violence in the townships around Pietermaritzburg had caused Beirut-style casualty figures with more than 20,000 refugees while many thousands more had been intimidated or threatened. Yet police had only mounted 10 successful prosecutions against perpetrators of violence.

He claimed that most of the violence had been caused by vigilantes connected to the Inkatha movement or government-appointed special township police auxilliaries called *kitskonstabels*.

Mr Naidoo called vigilante violence "the most terrifying manifestation of a violent South African society". He cited examples of alleged police collusion with Inkatha warlords, mysterious murders of UDF supporters before they could bring complaints to court, and reluctance to prosecute known Inkatha murderers.

He said the police and the Government "covertly supported the vigilantes as a means of neutralising the progressive movement without implicating the police directly and of justifying the continuing state of emergency by pointing to the township slaughter as an example of endemic black on black violence".

The reality, he added was that "the police have an interest in the continuation of violence and is a party to it".

A police spokesman in Pietermaritzburg declined to comment on the accusations yesterday but on previous occasions the police have blamed their failure to suppress the violence on the difficulties of policing a large area of hilly semi-urban countryside where the population has swollen dramatically since floods two years ago.

The union's view was supported by Mr Nicholas "Fink" Haysom, a civil rights and labour lawyer, who argued that "passivity is all that is required from the authorities for vigilante violence to flourish in power conflicts between rival social groups".

Pointing to the sharp acceleration in violence since September 1987 Mr Haysom said: "Once one group is granted inviolability on behalf of the authorities then a big increase in violence against the other party is generated."

But he said the resulting break down in the community's confidence in the police and the law created a profound crisis for legal institutions in the province with potentially disastrous long-term effects.

Political observers see the continuing violence in Natal as a proxy struggle between Inkatha, led by Zulu Chief Mangosuthu Buthelezi, and the banned African National Congress (ANC).

**AP adds:** Four detainees who escaped from their guards at a hospital walked out of their refuge at the West German Embassy yesterday after receiving assurances from the Government that they were free men.

"We emerge feeling victorious," said Ephraim Nkoe, 28, one of the four black activists who escaped to the embassy on Monday from a hospital where they had been admitted after joining a hunger strike.

# Christian Beirut cut off by siege

SYRIAN troops and their militia allies tightened their siege of the Christian heartland Wednesday as rival forces traded sporadic mortar and rocket fire in and around Beirut, AP reports from Beirut.

Police said at least two people were wounded when a mortar crashed in the Murr neighborhood of Moslem west Beirut.

A police spokesman said Druze militiamen fired three Soviet-designed Katyusha rockets from west Beirut into the coastal strip of the Christian enclave early in the day, but no casualties were reported.

Police say 66 people have been killed and 213 wounded in the past two weeks of renewed civil war fighting.

All five crossings linking the two sectors of the capital were closed for a second day by militiamen in west Beirut.

Syrian troops blocked Christian outlets, leaving some 1m Christians besieged in a crescent-shaped enclave with the Mediterranean at their backs.

The two-day-old siege comes two weeks after fighting flared between Christian army units under General Michel Aoun and Syrian-backed militiamen of Druze warlord Walid Jumblatt's Progressive Socialist Party.

# Unthinkable reforms turn Morocco

**An improvement in performance owes much to strong support from the IMF and World Bank, writes Francis Ghiles**

MR MOHAMED Berrada, Morocco's Minister of Finance, is exuding optimism these days. The statistics he reels off recording the recent sharp improvement in the kingdom's economy explain why.

Gross domestic product increased last year by an estimated 8.2 per cent in current prices, compared with a decline of more than 1 per cent in 1987. The trade deficit was shaved by an estimated $400m to $1bn. The current account, which moved into surplus in 1987 after rescheduling, remained in surplus last year. Inflation has officially dropped to 2.5 per cent, the lowest figure in more than a decade.

Morocco successfully completed a 16-month International Monetary Fund standby agreement last May and renegotiated a new loan worth SDR220m (£167m) despite missing some targets set for reducing the budget deficit and external arrears. A Paris Club meeting of state creditors last October has allowed further rescheduling of the country's $20bn foreign debt and ensured that no more than a third of export earnings are needed to service it.

The IMF, which has been monitoring the performance of the economy since 1980, has reason to be satisfied since the Moroccan authorities have trimmed the budget deficit beyond expectations to 4.5 per cent of gross domestic product. State arrears to public and private companies have been reduced from around 10bn dirham (£715m) five years ago to DH3bn. Several private companies have gone under in recent years but this is due as much to the cutting of public investment as to delays in payments from the state.

Reforms are being initiated which would have been unthinkable a few years ago. Value-added tax was introduced two years ago – to howls of anguish from the trading classes, most of whose members had never paid tax.

Last year valued added tax (VAT) receipts were 15 per cent higher than officials had budgeted for. Profits on construction will be taxed this year for the first time.

The improvement in Morocco's economic performance owes much to strong support from the IMF and the World Bank, which has committed $3bn to the country since 1980, $2bn of it already drawn down. The Paris Club has since 1983 granted generous terms which have cost France, the kingdom's largest creditor, FFr2bn (£185m) every year. Saudi Arabia bought weapons for an estimated $1bn last year.

Other factors have eased the task of the authorities. In a country where the winter rains are often described as the country's real finance ministry, four of the past five years have been bountiful. In 1988 output from the land, where more than half of all Moroccans live, increased by a fifth. A good crop acts as a powerful stimulus on the economy and allows the state to cut back on imports of food. Investment in farming has been further boosted by King Hassan's decision five years ago to exempt agriculture from taxes until the year 2000.

Morocco remains the largest exporter in the world of phosphate rock but despite a small increase in tonnage last year, the value of exports stood still. Sales of phosphoric acid and fertilisers, however, put in a star performance. They are estimated to have increased by more than 50 per cent and topped DH6bn, thus justifying the heavy investments made by the state monopoly Office Cherifien des Phosphates over the past decade.

Two other external factors have eased Morocco's payments position. The collapse in the price of oil has more than halved the country's energy bill since 1987. The weakness of the US dollar has helped soften the burden of foreign debt repayments.

Foreign investment which was worth $110m in 1987 is showing little sign of picking up but in the tourist sector major international hotel companies are showing more interest in managing hotels.

Entrepreneurs are awaiting with keen interest the outcome of the privatisation bill before parliament. A major issue in the new law will be how free owners are to shed labour. The issue is sensitive in a country where the rate of unemployment among city dwellers is 20 per cent and rising. Wages remain low, and the bitter six-week strike at the Jerada coal mine in the north-east of the country earlier this year, which led to arrests and demonstrations, is a reminder that the social peace of the past few years cannot be taken for granted.

The external improvements which have helped Morocco look set to continue, despite the decline, by more than a quarter last year, of remittances from Moroccan workers abroad, which remain the country's prime source of foreign income. Rainfall has been reasonable this winter.

But the Government's inability to devote sufficient resources to productive capital spending to lay the groundwork for steady future economic growth worries many observers.

# China proposes new farming investment to halt grain slide

By Peter Ellingsen in Peking

CHINA will step up investment in agriculture this year because output cannot meet demand, He Kang, the Minister of Agriculture, announced at Peking's National People's Congress meeting.

The fall in farm output, in particular grain, is China's worst problem after inflation.

To provide incentives, China will raise the state purchasing price for cotton by more than 10 per cent, invest 1bn yuan (£158m) in improving low-grade land, extend the leases on which farmers hold land, and give the existing agricultural co-operatives sole rights to distribute farm raw materials to prevent profiteering.

Peking also plans to set up an agricultural development fund, amounting to 5bn yuan a year, by making a levy on certain farm products and enterprises. He Kang admitted China's run-down farms could not keep up with the the demands of the cities and blamed an over-emphasis since 1985 on industry.

Targets for this year are: for grain, 410m tonnes, cotton 4.5m tonnes and oil crops 16m tonnes. These are all much higher than the 1988 output and even with new investment are unlikely to be reached.

The initiatives, announced at this week's meeting of the NPC recognise the serious threat posed by falling grain and cotton production, but do not take account of the effect of the government's austerity program is having on the efficient village enterprises, which are often forced to subsidise agriculture.

A drift from the village industries to farms is now apparent, and likely to exacerbate China's growing unemployment. The Government has already announced an 18 per cent increase in the price it pays farmers for grain, which will encourage greater production, but do little to ease labour unrest.

He Kang said the Government planned to close inefficient rural enterprises, and cut growth of the rest by 15 per cent, to direct attention to agriculture. However, the small-scale industries in China's towns and villages have been a major motor of growth and some analysts believe their contraction will only add to imbalances in the economy.

To fight inflation, Peking is already constricting money supply and curtailing consumption, hitting thousands of small village industries.

**Peking has for the first time publicly acknowledged that it is in direct communication with the Dalai Lama, the exiled spiritual leader of Tibet, writes Colina MacDougall.**

**Such contacts have been under way since 1979 through the Dalai's staff and Chinese embassies abroad, but the Chinese leadership appears only now, following criticism by the west of its handling of recent riots in Lhasa, to believe there is merit in advertising the fact.**

**Yan Mingfu, a member of the party's secretariat and director of its United Front Department, was quoted yesterday as saying that "relevant central departments now keep direct contacts with the Dalai Lama".**

**The Dalai said on Tuesday he would join in talks with China on the future of his homeland if initial discussions with his representatives were fruitful. He has said he is not proposing independence for Tibet, as the Chinese insist, but self-rule under a Chinese umbrella.**

**Yesterday Peking protested to the US over a Senate resolution urging an end to human rights violations in Tibet.**

# Sydney runway decision could lose Labor seats

By Chris Sherwell in Sydney

AUSTRALIA'S expanding tourist industry has received a boost with a federal government decision to build a third runway at Sydney's congested airport.

The decision, announced by Mr Bob Hawke, the Prime Minister, yesterday after a ten-hour cabinet meeting in Canberra was welcomed by airlines, businessmen and the New South Wales state government.

But it has upset many federal and state Labor Party politicians because it could damage the election prospects of those in constituencies near the airport. One of them is held by Mr Gary Punch, the federal Minister of Aviation Support.

Mr Punch was the key minister involved in the decision-making process and he campaigned strongly against a third runway. He was said yesterday to be thinking of shifting portfolio.

The third runway will be constructed on land reclaimed from Botany Bay parallel to one of the two existing runways. It is expected to take five years to build, partly because the final go-ahead is subject to an environmental impact statement.

This is expected to take 18 months to put together, and is sure to be a fresh focus for opposition. To reduce congestion in the meantime, the Government may try to persuade light aircraft using Sydney airport to go elsewhere.

Opponents have complained chiefly about the increase in noise pollution. They have urged the Government to proceed with work on an international airport at Badgery's Creek, some 40 miles south-west of Sydney.

The cabinet has agreed to this too, but development will be slow. The idea is apparently to build a simple facility first before upgrading it in stages to full domestic and international status.

Both moves are designed to defuse mounting controversy over the problems at Sydney Airport, which has a reputation among air travellers as one of the worst airports in the world because of flight congestion, delays, overcrowding, poor facilities and inefficiencies in dealing with immigration and customs.

Down the years governments have procrastinated over the issue. It is only with the realisation that tourism growth is vital to Australia's future that the decisions have been taken.

# Women in Bhutto cabinet

MS Benazir Bhutto, Pakistan's Prime Minister, appointed her mother Nusrat as her deputy and brought four other women into her cabinet yesterday, Reuter reports from Islamabad.

They were among 24 new ministers and ministers of state appointed when Ms Bhutto, who took office in December, doubled the size of her team to 48, state television said.

Mrs Bhutto, widow of the late Prime Minister Zulfikar Ali Bhutto, was appointed Senior Minister Without Portfolio. As the only "senior" minister she would automatically deputise for Ms Bhutto.

Women were appointed as ministers of state (junior ministers) for education, population welfare, women's affairs and special education and social welfare.

With Ms Bhutto herself, there are now six women in the cabinet, the most in Pakistan's 41-year history.

Ms Bhutto, 35, the first women elected to govern a Moslem country, appointed an all-male cabinet of 24 after she was sworn in on December 2.

The new appointments, announced on the eve of Pakistan's National Day today, included two independents and two minor party ministers. The rest belonged to Bhutto's Pakistan People's Party (PPP).

# Frontier tribesmen tire of backing Afghan rebels

INSIDE the smart offices of the "Businessmen's Association" in the Pakistani frontier town of Peshawar a group of heavily armed Pathans are engaged in heated discussion, writes Christina Lamb in Islamabad.

Smugglers all, Pakistan's loosely-governed frontier tribes, have, during the 10 years of war in Afghanistan, supported the mujahideen resistance fighters, sharing their scant food and allowing their territory to be used for bases and suffering many bombings in the process.

Now the Soviet occupation troops have left Afghanistan, the tribals in Pakistan are denouncing the guerrillas for continuing the fighting which has, for the last four months, blocked trading routes, cutting off their only livelihood.

They say the recent bloody and lengthy offensive around the Afghan city of Jalalabad with its resulting spillover of 28,000 more refugees into their already overburdened land in the last two weeks is the last straw.

Merchants in Peshawar's Smugglers Bazaar recall that six months ago turnover of the bazaar averaged Rs2m a day. Shelves once bursting with Japanese televisions, Chinese toilet paper, Russian caviar and Thai silks, now stand empty, save for a few boxes of French perfume and a battered video. Business, they say, has never been so bad.

Of course smuggling is illegal. Since British times however successive administrations have turned a blind eye to the trade which generates as much income as the legitimate economy as an easy way of keeping the unruly tribals happy.

Bare subsistence is the most tribesmen can hope for from harsh surroundings which yield barely a blade of grass. To obtain a wife or gun they must loot or smuggle – to the Government a much cheaper alternative than providing industry, roads, schools and dispensaries.

Goods are ordered from Afghanistan, which being landlocked, uses Karachi as its nearest port. From there they are taken bonded in trucks up through Pakistan and across the border to Jalalabad or just past the border town of Torkham. They are dumped in a warehouse and smuggled back across the border by mule, thus avoiding Pakistan's prohibitive import duties.

Customs officials whose authority extends only on the roads but not on the terrain in the semi-autonomous tribal areas watch helpless as men pass by just 50m away leading donkies laden with fridges.

Since the mujahideen captured Torkham in November they have not allowed any of the usual smuggling traffic through, arguing that the trade bolsters the regime. Now less than 5 per cent of goods are getting through.

Mr Haji Mohammed Yusuf, the bazaar chairman, grumbles: "Business is down to 15 per cent and 50 of the 210 shops in the bazaar have gone bankrupt." According to Malik Mir Aslam Khan Afridi, President of the All Tribal Unity organisation, 80 per cent of Pakistan's 7m tribals are involved in smuggling.

Since colonial days political agents administering the tribal areas have found the only way to keep on top is to buy their support and pit one against another in an uneasy and fragile truce, occasionally demolishing a village just to show who's boss.

The crime rate has increased and even tribal elders who used to maintain order with a band of 100-Enfield carrying lieutenants can no longer control their tribes, armed with the overflow of sophisticated weaponry from the war.

# Blow to Shamir as leaked security report confirmed

By Eric Silver in Jerusalem

THE AFFAIR of a leaked intelligence report which implies that Israel may have to countenance negotiations with the Palestine Liberation Organisation has embarrassed Mr Yitzhak Shamir, the Prime Minister, a fortnight before his scheduled visit to Washington.

Informed security officials confirmed yesterday that military intelligence had advised the Cabinet last week that no local Palestinian leaders would negotiate with Israel unless they had the approval of the PLO.

Mr Shamir on Tuesday dismissed accounts in the Hebrew press as "total lies". The leak, which was carried on the front pages of newspapers in the US, has undermined his hardline position before his visit to Washington next month.

The Jerusalem Post yesterday quoted a Democratic congressman as saying supporters of Israel were now more reluctant to go too far in defending Mr Shamir's refusal to talk to the PLO since attitudes in Israel were changing so rapidly.

"We don't want to have the rug pulled out from under us," he told the newspaper's Washington correspondent. "It's a whole new ballgame," a senior Administration official said.

The report by the director of military intelligence, Major General Amnon Shahak, has also given fresh ammunition to Labour doves, including cabinet ministers, in Mr Shamir's national unity coalition. Likud loyalists have accused Labour ministers of the leak.

In an attempt to limit the damage, the Prime Minister comprehensively denied press accounts. The director-general of Mr Shamir's office, Mr Yosef Ben-Aharon, modified that yesterday, admitting that there was a report, but contending that it dealt only with efforts to reduce tension in the occupied West Bank and Gaza Strip.

Defence officials acknowledged that the report, an annual security survey delivered every March, made no political recommendations. That was not the job of intelligence. But the report did demolish Mr Shamir's hopes of finding a non-PLO negotiating partner. It also stressed the fact that the intifada uprising was likely to continue until the Palestinians saw signs of a political settlement.

Mr Robert Maxwell, the British media baron, who was present at the Shamir press conference and accepted his disclaimer at face value, received a rebuff from the editor of the mass-circulation Ma'ariv, in which he recently bought a 25 per cent interest.

Mr Maxwell had said he would tell the editor, Mr Ido Dissenchik, "to be a little more careful in future before he publishes that kind of rubbish". Mr Dissenchik agreed that the paper should not publish rubbish, but insisted that he alone would decide what it printed. Mr Maxwell had been "misled" in thinking the story was not correct.

# Nigerian IMF deal frees loan

By Michael Holman

NIGERIA has begun to draw on a $200m (£117m) balance of payments loan from Japan, Alhaji Abubakar Alhaji, the country's Minister of State for Budget and Planning, said in London yesterday.

The loan was agreed in principle in 1987, but disbursement was conditional on Nigeria renewing an agreement with the International Monetary Fund on an economic recovery programme. This took place in January, when an SDR 475m (£360m) standby facility was approved by the Fund.

Access to the Japanese loan, combined with the benefits of recent debt rescheduling agreements with the Paris Club and London Club, and higher than forecast oil receipts, Nigeria's main export, are easing pressure on the Naira, he said.

This in turn could help resolve any differences between the Fund and the government over exchange rate policy.

One of the key conditions in the IMF agreement is the Government's pledge to introduce a market determined exchange rate. Although the Government went part of the way towards meeting this early this year, when it merged its two-tier foreign exchange system, there remained a wide gap between the official and black market rates.

This gap will be discussed when the Fund sends a review mission to Lagos next month.

During his London visit the Minister will be meeting British officials to seek early disbursement of a $100m grant offered by Britain towards the end of last year.

The minister was speaking shortly before the signing of a $5.5bn rescheduling agreement with commercial banks. Medium-term debt has been rescheduled over 20 years at a margin of 7/8 per cent over London inter-bank offer rate, with repayments starting in 1992. Outstanding letters of credit will be rescheduled over 15 years at 13/16 per cent over Libor, with repayments also starting in January.

Yesterday's agreement and the recent rescheduling of debt owed to the Paris Club group of official creditors, has helped reduce the cost of servicing Nigeria's $29.5bn external debt from 83 per cent of expected export earnings in 1989, to 23 per cent, said the minister.

A World Bank-chaired meeting is due to take place in London in October, said the minister, at which Nigeria's financing needs over the period 1990 to 1992 will be discussed. A meeting of donors in London in January pledged around $800m in balance of payments support for 1989.

# Britain expels nine more Iranians

By Victor Mallet in London and Jim Bodgener in Ankara

BRITAIN yesterday ordered another nine Iranians to leave the country in the aftermath of the Rushdie affair, bringing the number of those expelled or facing expulsion to 18.

In Iran, Ayatollah Ruhollah Khomeini was triumphant about the imminent return to Tehran of European ambassadors, and critical of Turkey for its ban on Moslem-style headscarves for women at universities.

The British Home Office, commenting on its expulsion orders, said the presence of these Iranians in Britain was regarded as a security threat following Ayatollah Khomeini's call to Moslems to kill Mr Salman Rushdie, the British writer, for the references to Islam in his book *The Satanic Verses*. There are some 25,000 Iranians in Britain.

Two of those ordered out yesterday were locally engaged staff at Iran's embassy in London and some of the others are students. Of the nine ordered out previously, eight have left the country and the ninth failed to leave and has been detained for questioning. Iran formally broke diplomatic relations with Britain earlier this month over the Rushdie dispute.

Yesterday a triumphant Ayatollah Khomeini said European Community ambassadors were returning humiliated to Tehran after being withdrawn by their governments a month ago over the Ayatollah's death threats. The EC decided this week that they could go back.

Although Sir Geoffrey Howe, the British Foreign Secretary, denied the European move was a climbdown, the Ayatollah said in a speech that it was a victory for Islam. He was quoted by Tehran Radio as saying that the envoys were "returning humiliated, disgraced and abject, regretting what they did".

Ayatollah Khomeini, calling for a global Islamic revolution and a holy war against capitalism and communism, appears intent on undermining Iranian leaders who have sought to normalise relations with the outside world.

He asked why the world had kept silent about the man who refused permission for Moslem girls to wear Islamic headdress – a declaration taken in Turkey to be a reference to the secularist President Kenan Evren.

"Possibly the battle against Moslem women's (dress) in educational centres is a diversionary move to minimise the glitter of the Islamic world's great defence of the (Prophet) Mohammed," the Ayatollah said.

The Turkish Constitutional Court two weeks ago annulled a decree passed by the Turkish parliament in November permitting the wearing of Islamic head-gear in higher education institutes. The Turkish Government has since remonstrated with Tehran over alleged Iranian interference in Turkey's internal affairs.

Ayatollah Khomeini acknowledged yesterday that Iranians were suffering economic hardships, including inflation and shortages, but he condemned his internal opponents as "the agents of outsiders" and said martyrdom was necessary in the battle against Eastern and Western culture.

# Yemeni debt crisis looms in wake of oil problems

By Victor Mallet

NORTH YEMEN could suffer a balance of payments crisis over the next two years despite revenues from oil production which began in 1987, according to a report published by the research group Business International.

Oil exporting difficulties - including unstable prices, increased foreign debt and diminishing sympathy from aid donors - appear to have offset any financial advantages.

The outlook is further clouded by reduced remittances from Yemenis working in the Gulf and a growing water scarcity.

"It is difficult to avoid a view that Yemen may experience a major balance of payments and current account crisis in 1989 or 1990," the report says.

"The country's new status as an oil producer will almost certainly have the effect of causing both multilateral and bilateral aid agencies to scale down their allocations to Yemen. At the same time Saudi Arabia will have less cash with which to maintain budgetary support."

Net revenues from oil are not expected to exceed $300m (£174m) this year or $400m in 1990, assuming an average oil price of $15 a barrel, and existing oil reserves will be nearing exhaustion by the mid-1990s.

Between 1986 and 1987, North Yemen's debt service ratio rose from 9 per cent to 25 per cent of foreign exchange earnings, while its current account deficit increased from under $100m to over $600m.

North Yemen, however, offers a range of investment opportunities to foreign businesses despite financial constraints and a relatively small market, according to the report, which pinpoints the agriculture, tourism and health sectors.

"For agriculture and food production, Yemen offers comparative advantages greater than any other country in the Arabian Peninsula and Red Sea region," it says.

"In some favoured regions there is a climatic environment and enough rainfall to permit it to provide seasonal fresh fruit and vegetables to markets within 1,000 miles or more from its frontier."

The report advises prospective investors to choose local partners carefully, as the Yemeni private sector is composed of a small number of shrewd businessmen actively seeking technology and ideas from abroad.

*Opportunities in The Yemen Arab Republic, by John Townsend, Business International, £250*

# Mass walk-out threatened over Gatt farm row

By Tim Dickson in Brussels

MR Gareth Evans, Australia's Foreign Affairs and Trade Minister, yesterday held out the prospect of a mass walk-out from the current round of multilateral trade talks if next month's crucial meeting in Geneva fails to break the deadlock over global farm subsidies.

Speaking in Brussels after he had seen Mr Frans Andriessen and Mr Raymond MacSharry, respectively the European External Relations and Farm Commissioners, Mr Evans insisted that such action would not just be confined to the Cairns Group, the 14 agricultural exporting nations which have been negotiating as one bloc in the talks and of which Australia is a leading member.

*"Unless this impasse can be broken on agriculture,* a lot of people are going to walk away from the whole process, including the negotiations on other issues like services and intellectual property," he said.

Mr Evans' dire threats are a reflection of the political tensions building up ahead of the *Geneva meeting,* to be held under the auspices of the General Agreement on Tariffs and Trade, and the widespread fears that the two trade "superpowers" the European Community and the US will not be able to bury their differences over short and long term agricultural policy reforms.

Mr Evans said he was not officially speaking for the Cairns Group – individual members would ultimately make their own decisions – *but that his mission in* Brussels yesterday was nevertheless "to bring the detailed message from Waitangi" (the North Island, New Zealand setting for last weekend's Cairns group strategy meeting).

On the prospects for long term agreement on agriculture, he said that recent signs of EC/US willingness to commit themselves to substantial and progressive liberalisation of trade over time was encouraging. "The rather more immediate difficulties are on the short term where the Cairns Group is saying that it wants some runs on the board, or to put it another way, visible progress immediately."

Acknowledging that time was running out, Mr Evans stressed that the Group was seeking a freeze in four areas: price supports, export subsidies, access to markets (i.e. no new restrictions), and production controls. In this context he said he had been "disconcerted" to find in his meeting at the Commission yesterday that the EC intended to pursue negotiations aimed at cutting New Zealand lamb and butter imports, while Brussels' idea of "freezing" export subsidies was to use 1987/88 as a base year (when the level in 1988/89 is likely to be considerably lower).

"We want a real freeze in the short term as an indication of good faith. We want to be sure it is real progress, not a cosmetic papering over of differences. There are three major players in these negotiations, not two, and our interests just cannot be ignored."

Asked about the key stumbling blocks in the bilateral negotiations between the EC and the US, Mr Evans indicated that Washington's determination to ease the rules of its set aside programme (thus bringing arable land back into production) "is emerging as the major sticking point".

# GEC wins £30m order for avionics from China

By Peter Montagnon, World Trade Editor

GEC Avionics has £30m of orders from China for head-up display, air data computer and radar equipment designed specifically for its Type 7 military aircraft.

The orders bring GEC Avionics' business with China since 1980 to more than £100m. Finance is being arranged by Barclays Bank with the backing of an Export Credits Guarantee Department guarantee.

Though defence-related the technology involved is not sophisticated enough to come under export restrictions to Communist countries agreed by the Co-ordinating Committee on Multilateral Export Controls. GEC Avionics said yesterday it had cleared the technology with CoCom at the time of its first order in 1980.

However, the nature of the order means that it is excluded from the concessional credit made available to China under the Government's Aid and Trade Provision. The financing involves a standard export credit interest rate of 8.3 per cent and a five-year maturity.

*The ECGD will back 85 per* cent of the project costs and Barclays together with Manufacturers Hanover will provide the funding in the form of a confirming house credit.

GEC Avionics said it had been helped in negotiating the order with the China National Aero Technology Import/Export Corporation (CATIC) by Jardine Matheson.

It said its ten-year collaboration with CATIC was one of the most successful high-technology ventures yet established between China and the West and had also led to the establishment of local production facilities in China for avionic equipment.

# US issues cyanide warning on Chilean fruit

By Nancy Dunne in Washington

THE US Food and Drug Administration has exempted two more fruits – pears and nectarines – from its ban on Chilean produce, but issued a warning that consumers should inspect the produce for signs of cyanide contamination.

The ban was lifted last Friday for grapes and berries, and it is expected that melons, apples, plums and other fruit will be soon be back on US supermarket shelves.

A stepped up testing programme has produced no further signs of the cyanide, found 11 days ago in two Chilean grapes. FDA officials insist that the grapes were found by chance on March 12, after warnings had been received, but increasingly, as other signs of poison have failed to materialise, there have been murmurings within the industry that the FDA had been given some specific suggestions about where to search.

Although the FDA has frequently had to weigh safety and economic risks in threats of cyanide poisoning – there was one death recently from poisoned yogurt – it has never before come under the kind of intense pressure generated from Chilean and Administration officials who insisted that a solution be found swiftly.

A somewhat chaotic testing regime went into effect last Saturday in Philadelphia and Sunday in Tampa, Florida, and Tuesday in Los Angeles. Industry food graders, hastily trained by the FDA, have been instructed to examine 5 per cent of each shipment. It is presumed that the inspectors are to be paid by importers and exporters, but that still has not yet been clarified.

Fruit, exported from Chile but not inspected under the programme, is to be destroyed by retailers and wholesalers. But no agency is supervising the destruction of the fruit, and the various states have different rules about how it is to be discarded.

The boxes of inspected fruit are being marked "inspected and cleared."

A large component of the effort to protect US consumers is Chile's promise to beef up its own security. The FDA said it has sent a small team, including "a seasoned inspector" and a scientist to Chile to observe the measures in place and to assist the government and exporters.

The US inspection programme is apparently to be temporary. The Chilean fruit import season ends next month, and the FDA will phase out its regime as Chile's programme expands.

# Poisoned legacy for bitter fruit growers

## The discovery of two cyanide-laced grapes in the US threatens immense damage to the Pinochet regime's export success story, **Barbara Durr** reports from Santiago

FOR several hours' drive south of Santiago big, new fruit packing plants dot the Pan American Highway. *They add* a glaring modern touch to the vast pastoral stretches of vineyard and orchards that cover Chile's central valleys.

*The enormously dynamic* fruit industry has been a special point of pride for the Pinochet regime. And that makes the trauma of last week's four-day total ban on fruit exports to the US, Canada and Japan all the more bitter. The bans were imposed after US Food and Drug Administration officials found two cyanide-laced grapes on March 12. Anonymous phone callers to the US and Japanese embassies in Santiago had earlier threatened to poison fruit exports.

Fruit has been the main success story of the much-toted diversification of Chilean exports during the past 15 years of military government in Chile. Twenty years ago fruit barely registered as an export crop. *Today it is second only to* copper as a foreign exchange earner, *accounting for 12 per* cent of the country's total $7bn in exports.

General Pinochet turns food taster in a bid to reassure US consumers during a visit to a Santiago shipping plant earlier this month

Fruit production has dramatically expanded in the last ten years. Production in the 1987-88 season was 1.52m tonnes, up from 817,000 tonnes in 1980-81. Last year exports grew 16.4 per cent and were expected to expand at similar levels for years to come.

Over $100m has been invested in packing and processing *plants,* according to Mr Jose Miguel Cruz, a research associate of the Christian Democrat think tank, the Corporation of *Economic Investigation* for Latin America. A further $300m has been spent on bringing land into cultivation, based on the estimate by the National Society of Agriculture, the large scale farmers' association, that 148,000 hectares have been planted.

The industry is relatively competitive, with 2,000 large scale growers and 20 companies that export over a half million crates per year, Mr Cruz said.

*Chilean fruit,* whose *prime* season is the northern hemisphere's winter, has ridden atop the wave of American fresh food *consumption. Americans have* tripled their consumption of *imported fresh fruit since 1980* and take half of Chile's exports.

Europe is the second largest market, accounting for 36 per *cent in 1988. But the European* market has recently been expanding faster than that of the US. Last year, Chile's exports to Europe grew 47 per *cent, while the growth rate to* the US was just 20.4 per cent.

Table grapes lead all other fruit, with more than half of all exports by volume. Last year, *Chile* exported 48.5m crates of grapes out of a total of 90.5m crates of fruit. Apples come second. Last year, 18.8m crates of apples were sold *internationally, or 21 per cent* of all fruit exports. Nectarines, plums, pears, kiwis and apricots follow in importance.

*This year some* 100m crates of fruit were to have been exported. But after last week's ban, stunned fruit exporters say they are not yet sure of the extent of their losses. The bans came midway through the fruit exporting season. Exporters believe that at least for this year the damage to the US market is already done.

Mr Enrique Bruzzone, president of the Exporters Association, says that at least $100m will be needed to put fruit exporting back on its feet. Commercial banks have granted reprieves on loan repayments until June 30 and the Government has already offered a $28m assistance plan, but $12m of that will go to jobs programmes for fruit workers in areas worst hit.

About 250,000 people are *employed in the fruit industry,* where wages are notoriously low. A packer or picker makes only $3.28 per day and works a maximum of six months a year. These *scandalously* meagre wages, even for Chile, lead many here not to have much sympathy for the industry's titans.

At the *same time, this star* industry has revealed the fragility of Chile's incipient export-led economy. Exporters estimate that their bank debt *is $400m, half* the amount expected in fruit's foreign exchange earnings this year. If *they go broke, as many say* they will, a new financial *crisis could follow.*



# Taiwan to open trade office in Hungary

*ANTI-COMMUNIST* Taiwan will open a trade office in Hungary, its first in a socialist country, the official Central News Agency said yesterday, *Reuter reports from Taipei.*

Hungary is Taiwan's largest export market in Eastern Europe, with trade between the two reaching $43m in 1988, up *from $20m a year earlier.*

Taipei has quickly expanded trade with the socialist world since lifting a ban on direct trade with most Eastern bloc *countries in 1988.*

Taiwan has not decided whether to allow Hungary to open a bureau in Taipei.

# Hong Kong angered by further EC anti-dumping investigation

By Michael Marray in Hong Kong

OFFICIAL notification from Brussels that the European Community is to initiate anti-dumping proceedings against Hong Kong denim cloth manufacturers has met with a sharp response from trade officials in the colony, where fears of growing European protectionism have been prompted by a *series of similar anti-dumping* actions over the past year.

Several Hong Kong companies were given formal notification by the European Commission on Tuesday that proceedings were being started against their denim cloth products, in addition to imports from other manufacturers in Macau, Turkey and Indonesia.

Mr Fred Leung, acting assistant director of trade with responsibility for EC affairs, yesterday retorted that the European Commission might do better to investigate what was wrong with European industry rather than whether anything was wrong with Hong Kong industry.

"It is beyond our comprehension that the European Community should imagine, given our totally open economy, that Hong Kong industry can be dumping on this scale," he said, pointing to seven other anti-dumping inquiries within the past 15 months.

Mr Leung said that the European denim cloth industry already enjoyed a number of competitive advantages and levels of protection in its domestic market, including import quota limits and tariffs, and it was unreasonable that the European Community should want yet more protection through the imposition of *anti-dumping duties.*

The EC investigation on denim imports from Hong Kong, which were worth HK$186m in 1988, follows similar moves on imports of Hong Kong-made video cassettes, small colour television sets, and audio tapes. If the Commission finds firm evidence that dumping has taken place it may impose countervailing duties on the offender's products.

The Hong Kong government has already hired European advisers *to help on previous* dumping charges, and has stressed that it will support local companies in fighting the actions, which it sees as a *warning of the possible development* of a Fortress Europe in the run up to 1992 and the creation of a single European market.

*Parliament, Page 18*

## BUSINESS LAW

# Learning and law under a palm tree

By A.H.Hermann, Legal Correspondent

The mixture of precedent and statute law, topped by a thin icing of principle, provides English judges with countless possibilities. Almost any view of the law can be argued by a moderately able barrister, and many judges let themselves be swayed towards the view adopted by the more skilful of the two appearing before them.

There are exceptions of course. Some judges will opt for the absurd as if they were trying to prove that the law is an ass. Others choose the more painful option, presenting their judgment "with the greatest regret."

However, the good judges – of which there are quite a few – do not get misled by the legal arguments. They form a view about what would be a fair and practical solution and then select from the arguments those which suit their conclusions.

An example of a pragmatic and useful judgment is that delivered by Mr Justice Webster on 16 March 1989, in the dispute between Shearson Lehman Hutton & Another, and Maclaine Watson & Co, G.H. Rayner (Mincing Lane), and seven members of the Committee of the London Metal Exchange (LME), as well as MMEC, the company which owned and managed its premises.

Reading the 224 pages of the judgment (and omitting an Appendix of some 40 pages), one is fascinated by the amount of learning contained in its impressively logical architecture. One also feels, however, that the same result could have been achieved with lesser expenditure of intellectual energy (and legal costs) by a wise man sitting under a palm tree.

The case stems from the insolvency of the International Tin Council (ITC). Before this was revealed, Maclaine, an LME ring member, acting at the behest of the ITC, bought from Shearson, a subsidiary of American Express and not a member of the LME, three lots of tin at the average price of £9,000 per tonne. Before the contracts matured the ITC collapsed, the LME suspended trading and contracts, and later fixed the price for settlement of outstanding contracts at £6,250. Rayner, one of the defendants, settled the litigation; the judgment applies only to Shearson's claim of some £75m.

The judge concluded that the LME had the power to suspend contracts, and did so properly; and that this measure applied to Shearson because it submitted to the rules of the LME in its contracts with Maclaine. However, it did not submit to any future rules to be made by the LME, and therefore the subsequent fixing of the settlement price did not affect its contracts with Maclaine. In other words, the judge held that Shearson was entitled to damages from Maclaine but that its claim against the members of the LME Committee, and the operator of its premises, failed.

The judge concluded that the LME had the power to suspend trading and to fix a settlement price. He reached this conclusion not on the basis of a textual analysis of the LME's statute, but, adopting the purposeful method of interpretation, because these measures were necessary to reach the aims for which the exchange was established.

The judge then examined the assertion that in reaching these decisions the LME failed to observe natural justice, acting as judge in its own case and not taking into account all the relevant facts, while paying attention to some which it should have ignored. There was an interesting argument whether these criteria, usually applied in judicial review of administrative decisions, can also be applied in a dispute between private parties. The judge rejected the submission that the two spheres of law, public and private, were in this respect any different. The law of judicial review, he said (relying on a dictum of Lord Diplock) is procedural law and as such, applies across the board. In coming to the issue of inherent bias of someone who decides in his own case, he flatly denied its existence on the part of the Committee of the LME: its members were not deciding on their own individual interests.

When it came to the question whether the LME rules applied to outsiders, the cases cited concerned mainly the rules of the Stock Exchange. Their tenor was that the outsider, that is the client operating through a broker who is a member of the Stock Exchange, is bound only by the procedural rules but not by rules which would affect his substantive rights. An application of these authorities would have meant that Shearson should not have been affected by the suspension of contracts and had a claim in damages if it was.

However, the judge concluded that the relationship of the parties to a Stock Exchange deal is different from the relationships on the LME market. He held that Shearson was subject to all the rules of the LME which existed at the time when he signed contracts with Maclaine. The fact that the contract forms were not filled in completely provided no escape for Maclaine. As both parties assumed that the contracts contained a full acceptance of the LME rules and acted accordingly, they were in good faith (by "estoppel", he said) bound by their mistake.

There is no chance of reporting all the interesting issues discussed in the judgment in the space available, but I must mention how the judge dealt with the plaintiff's claim that the decisions of the LME to suspend trading and to fix a settlement price were prohibited and void under the competition rules of the Community.

Paragraph 1 of Article 85 of the EEC Treaty prohibits, among others, decisions by associations of enterprises which may affect trade between member states and have as their object or effect the restriction or distortion of competition in the Common Market. Direct or indirect fixing of prices or of other trading conditions, is given as an example of such prohibited decisions.

Paragraph 2 declares prohibited decisions to be automatically void; and Paragraph 3 opens the possibility of exemptions from the prohibition if there are certain redeeming features.

The judge held that the fixing of the settlement price was not a distortion of competition, because it was addressed to contracts already made and not to future dealing: it was not an "on-going" restriction.

One must wonder what the European Court would say to such an interpretation of Art. 85. The judge stated several times during his judgment that the aim of the LME in fixing the settlement price was to prevent a "free-fall" of the market price with consequent insolvencies not only among the tin traders but, as the result of a domino effect, also among other metal dealers. Both the objective and the effect of the measure was, therefore, to prevent competition which would lead to such a catastrophic fall in prices, and it clearly falls under the prohibition of Art. 85/1.

Of course, it was a measure which had many redeeming features likely to justify an exemption under Art. 85/3. Unfortunately, only the Commission is authorised to make such exemption, and the Commission takes a long time considering such matters.

If the judge applied EC law strictly and in accordance with the decisions of the European Court, he would have had to hold that the fixing of the settlement price was invalid, with all the bedlam which would have followed.

The fact that he had to make this reasonable departure from EC doctrine shows clearly how impossible is the Community rule which declares prohibited agreements and decisions of associations automatically void. It does not even provide for provisional validity of notified agreements, as was the case befor the European Court decided otherwise. As the Commission is incapable of speedy, almost instantaneous decision, the only (and better) alternative to provisional validity seems to be to do away with the automatic nullity of prohibited agreements – a provision which is unusual, draconian, and highly impractical.



## COMPANY NOTICES

## UK NEWS

Directors' chief talks of 'pilfering on heroic scale'

# Hoskyns reaffirms belief that 1992 project will fail

By Richard Donkin

SIR John Hoskyns, the director general of the 31,000-member Institute of Directors renewed his attack against corruption within the European Community yesterday and reaffirmed his belief that the 1992 project was going to fail on present indications.

Sir John led the Prime Minister's No 10 Policy Unit during the early 1980s and played a key role in formulating Mrs Margaret Thatcher's industrial legislation.

Addressing a conference of the Institute of Economic Affairs in London, he hit back at critics of his earlier onslaught, launched during the IoD annual conference at the end of February when he said that the single market had the makings of a fiasco.

In a speech brimming with confidence despite reported Government embarrassment at his stance, Sir John restated his remarks that the Brussels machine was becoming corrupted, both intellectually and financially, with evidence of massive fraud deeply embedded in Common Agricultural Policy and "pilfering on a heroic scale."

Citing what he referred to as anecdotal evidence of corruption and dishonesty, he said he had been told of one MEP who boasted of having made £100,000 on his expenses in the past four years, though he said he was not accusing every MEP of fiddling.

He also referred to an "extraordinarily high proportion" of commission employees reaching the age of 64 who received the more advantageous disability pensions instead of normal retirement pensions – 40 per cent in one clerical category against 3 per cent in a French commercial bank.

"Dishonesty, if it exists, does not invalidate the objectives of 1992, nor does it necessarily indicate likely failure of implementation," he said.

"But my business experience tells me that once an organisation's culture is corrupted, that organisation is in serious trouble. The infection spreads in the form of cynicism and low morale, lack of commitment to the organisation's goals, and management cowardice leading to lack of mutual trust and self-respect."

The earlier attack had initially provoked a threat of legal action from M. Jack Delors, president of the Commission.

In a note of clarification Sir John said that when he spoke of bureaucratic corruption or dishonesty he was referring primarily to the "yes minister" type of deception which occurred in any large democracy.

The outrage from Brussels at his questioning whether 1992 would be ready for business "tells us something about the arrogance or else the insecurity of some people in the Brussels machine," he said.

Maintaining his earlier argument, Sir John said the single market was heading for failure on present indications because insufficient progress was being made on difficult measures needed to remove internal frontiers, and because time and energy were being wasted drafting "vague proposals about monetary union and trans-European social policies" that were not prerequisites for the single market.

Third, he said, the institute believed that the machinery of the Commission and its institutions was "organisationally and managerially inadequate for the task facing them."

# EC rules 'threaten' oil, gas industry

By Steven Butler

PROPOSED European Community rules on public purchasing threaten the oil exploration and production industry with a "bureaucratic straitjacket," Mr Peter Morrison, Energy Minister, claimed yesterday.

He urged the exemption of the upstream oil and gas industry from an EC draft directive which aims to enforce uniform procurement procedures in energy, transport, telecommunications and water supply to ensure fair competition.

The rules would raise costs and introduce delays that could prevent some marginal development projects. The directive's provisions are broadly supported by Britain.

However, Mr Morrison told a London meeting of the Module Constructors Association, whose members include Britain's major fabrication yards for offshore equipment, the Government was arguing that the upstream oil and gas industry was already competitive.

He also called for a fair competitive environment to be enforced throughout the EC.

"Particularly I do not want to see it [competition] undermined by state-owned corporations in other countries receiving state subsidies for uncommercial pricing," he said. It was not immediately clear to which corporations or countries Mr Morrison was referring. However, questions have been raised about companies such as Italy's state-owned holding company ENI, in which the vertical integration of oil and supply operations creates possibilities for cross subsidisation that are difficult to detect.

The EC is concerned about tendencies in the industries covered by the proposed directive for purchasing to be concentrated in the home markets. This is highly evident in oil and gas exploration, where the industries tend to be supplied predominantly by domestic companies in every country with an oil industry.

In Britain, according to Government statistics, over 80 per cent of Britain's needs in the offshore oil industry are met by domestic suppliers.

The proposed rules specify that purchasers must advertise throughout the EC and allow opportunity for suppliers to respond, sufficient time for tenders to be submitted, and time for supply of further information.

Mr Morrison believes these rules would introduce unacceptable delays in the oil and gas industry that would increase costs.

The UK supply industry is concerned about competition from other EC countries such as Spain, where labour costs are much lower, although many British companies accept that they must compete by offering superior quality.

# British pay SA blacks above 'level'

By Michael Holman

OVER 97 per cent of the black employees of British subsidiaries in South Africa are paid above the level recommended under the European Community Code of Conduct for companies with interests in the republic, Mr Alan Clark, Minister for Trade, said yesterday.

The Code, which is voluntary, calls on companies to meet minimum wage levels, provide greater support for black trade unions, and to pay greater attention to training.

The Department of Trade and Industry's annual analysis of performance under the Code, the third since a revised set of guidelines was adopted by EC foreign ministers in November 1985, reviews the record of 120 British companies over the past year.

There has been a further reduction in the number of black employees of British subsidiaries being paid below the Code's recommended minimum level, said Mr Clark. Companies' reports show that over 97 per cent were paid above the recommendation. "Companies also continued to encourage the growth of black businesses, a new element introduced to the Code in 1985," said the minister.

Britain's Anti-Apartheid Movement yesterday challenged the analysis: "The minimum wage level is utterly inadequate, and many British subsidiaries either do not report on their performance, or argue that they fall outside the Code's definition of a foreign subsidiary. The Code itself has gaping loopholes, and today serves as a smokescreen which companies use to justify their presence in South Africa," it said.

## UK NEWS

# Belfast shipyard set for sale after buy-out deal

By Kevin Brown, Transport Correspondent

THE GOVERNMENT yesterday announced agreement in principle for the sale of Harland and Wolff, the state-owned Belfast shipyard, to a management and employee buy-out backed by Mr Fred Olsen, the Norwegian shipowner.

Under the deal, the assets of the yard will be sold for £5m to a new company in which the Mebo consortium and Mr Olsen will have an equal shareholding. Mr Olsen will place a $150m order for three 150,000 tons deadweight tankers, which will provide work for most of the yard's 2,700 workers for three years.

The Government will write off debts of £400m, provide a grant of £38.75m towards rationalisation costs, cover continuing liabilities of around £26m, and advance £60m of loan stock to be repaid when the yard returns to profits.

In addition, the Government will provide subsidies of up to $39m towards the construction costs of the three tankers for Mr Olsen, and will provide unspecified performance guarantees to cover unforeseen costs.

Mr Tom King, the Northern Ireland Secretary, said the agreement was "an extremely good deal for the taxpayer" which would keep Harland in business for less than the cost of closing the yard.

Mr King said the deal was broadly comparable with the sale of British Shipbuilders' yard at Govan, Glasgow, to Kvaerner Industrier of Norway for £7m. He denied that Harland had been given especially generous treatment because of its location.

The Government hopes the deal will be completed in September. However, it faces a number of potentially serious problems.

Mr Olsen has agreed to provide £12m towards the £15m capital base of the new company which will run the yard. Management is expected to subscribe a further £500,000, and the Mebo consortium will seek to raise around £2.5m from Northern Ireland banks and other business.

This means that the balance of £2m will have to invested by Harland's employees, some of whom have been critical of the privatisation process.

The deal will also have to be approved by the European Commission, which has the power to block restructuring agreements which could give shipyards an unfair competitive advantage.

Mr John Parker, Harland's chairman, said the buy-out plan would give the company a long-term future in the improving world shipbuilding market.

# Telegraph reshuffle for 7-days a week

By Raymond Snoddy

MR CONRAD BLACK'S Daily Telegraph yesterday announced a major editorial restructuring which falls just short of the creation of Britain's first seven days a week national newspaper.

The Sunday Telegraph will survive as a separate title but apart from its separate columnists and editorial opinion pages both the Daily and Sunday Telegraph will be produced by a common pool of journalists.

Mr Max Hastings, at present editor of the Daily Telegraph, will also have editorial control of the Sunday paper which will be produced by Mr Ian Watson, the current deputy editor of the Sunday Telegraph.

The present editor of the Sunday Telegraph, Mr Peregrine Worsthorne will in future be in charge of the leader and opinion pages of the Sunday paper.

Mr Andrew Knight, chief executive of the Daily Telegraph company who told editorial staff of the impending changes yesterday said: "Our aim is to maintain the distinctive voice of the Sunday: as distinctive as it has been in the past."

# Report ferments publicans' fears

**Christopher Parkes** examines the response to beer trade proposals

BRITISH publicans woke yesterday racked by symptoms uncannily reminiscent of a hangover: disorientation, generalised numbness, blurred vision and a nasty taste in the mouth.

If their first taste of the Monopolies and Mergers Commission recommendations for a shake-out in the beer trade had this effect, what horrors might they expect from a full dose of the commission's brew?

Despite its litany of complaints against the brewers, the National Association of Licensed Victuallers, representing 20,000 of the country's 25,000 pub tenants and free house owners, was alarmed by the rigours proposed.

"We say all kinds of nasty things about the brewers, and now we end up defending them," said Mr John Overton, chief executive of the association.

The only proposal helpful to his members to be found in the 500-page report was the notion that pub tenants should be granted security of tenure under the Landlord and Tenant Act. The cumulative effect of the rest of the measures suggested that the drink industry's traditions and heritage, founded on the tenanted tied house, were doomed.

The proposals, including a limit of 2,000 on the number of pubs a brewer may own, and radical alterations to the structure through which publicans are "tied" into selling only one supplier's drinks, have yet to be digested and implemented. The brewers have yet to decide on their tactics.

But the spectre which greeted free traders yesterday was one of tumbling property values and rising debt. "The ending of the tied loans system could be a mini-disaster in itself," Mr Overton said.

Most independents have set up in business thanks mainly to low-interest loan deals granted by brewers in return for undertakings to stock the brewers' products. The scale of the loans has escalated in line with rising property values, according to Mr Overton. Now, the possibility of brewers being forced to sell off 22,000 pubs raised the prospect of falling prices and free traders finishing up owing more than the value of their properties.

Pub sales would also threaten tenants. "If the recommendations are imposed, security of tenure must come first," he warned. He was concerned that the brewers might start pruning their estates to the 2,000 maximum outlets by installing managers in the best of the tenanted houses and ousting tenants from the rest before sale.

The tenants' resentment still bubbles up, and their basic complaints stand. "In the nicest possible way, the brewers screw their tenants like mad," Mr Overton said, listing rent increases, passing on property maintenance cost and "a dreadful series" of price increases.

"The tie is not overt, it is quite insidious," he added. Tenants' fortunes could depend on their attitude. "A good company man" could expect preferential treatment from the brewer. Dissent could be painful. A southern tenant told the commission that a complaint about a 208 per cent rent increase after refurbishment of his pub was followed by a threat of further rises if he did not buy his soft drinks from his brewer-landlord.

The Brewers' Society underlined Mr Overton's concern about the prospect of pub disposals. All 22,000 to be sold – if they were disposed of – would be tenanted, it warned. "There is no way anyone is going to buy slabs of properties and keep them as tenancies. The tenancy system has been made unviable by the report," an official claimed.

Only the Campaign for Real Ale, the 20,000-strong pressure group which has 2,000 publicans among its members, found cause for celebration.

Mass disposals might provide "real bargains" for independent regional brewers seeking to extend their estates. It was also excited by the prospect of more regional brews filtering through the national network, thanks to proposals for all tied pubs to be allowed to sell "guest beers."

**European Community authorities will this week study the controversial report by the UK Monopolies and Mergers Commission (MMC) which calls for the sale of more than 20,000 pubs. Commission officials say they will take account of the MMC's recommendation in their own review of exclusive purchasing agreements in the brewing industry announced last week by Sir Leon Brittan, the UK Competition Commissioner, and due for completion within a year.**

**The signs are that aggrieved British brewers will get little help from Brussels if they wish to fight the MMC. "We will be looking at the report very closely to see what aspects of the MMC's deliberations might impinge on our inquiry or on our own regulations," said a Commission official. He thought it unlikely that the details of the MMC's recommendations for more open competition in the industry ran against EC rules on competition in the brewing industry.**

# Norway's Olsen gets government off the hook

**Kevin Brown** charts the story of shipbuilders Harland and Wolff

MR FRED OLSEN, the publicity-shy Norwegian shipowner, has got the Government off a nasty hook by agreeing to support a management and employee buy-out of Harland and Wolff, the state-owned Belfast shipbuilder.

Only a few weeks ago, the Government appeared to be in serious difficulties as Mr Peter Viggers, the Northern Ireland Industry Minister, cast vainly around for a credible bidder.

The initial plan was to sell the yard to Mr Ravi Tikkoo, the Anglo-Indian shipping entrepreneur, whose visionary proposals to build a $500m cruise ship in Belfast had the full support of Mr John Parker, Harland's respected chairman.

That plan collapsed, however, when it became clear that Mr Tikkoo had no solid financial backing for his ship – codenamed Ultimate Dream – and wanted the Government to put up substantial sums in the form of performance guarantees.

For several weeks, Mr Parker tried vainly to resuscitate the Tikkoo project as the base workload for his proposed buy-out consortium.

Meanwhile, Mr Viggers was talking to four other potential bidders – Seaways Engineering; the Institute of Production Control (IPC), a UK professional association with its own shadowy plan for a UK-built cruise ship; the Turkish shipowner Um Denizcilik, headed by Mr Ugur Mengenecioglu; and Bulk Transport Shipping, a small London-based shipping group.

It quickly became clear that most of the potential bidders lacked credibility. Seaways Engineering was judged to have insufficient financial and management depth; the IPC appeared to have no concrete plans or access to funds; and the Turkish approach was said to be entirely speculative.

There were further problems for Mr Viggers when Bulk Transport was itself taken over by Bergesen, a Norwegian tanker operator. However, Mr Eddie Pollock, the company's Ulster-born chief executive indicated that the group of investors which had backed the company was still interested in Harland.

Mr Pollock and his associates were attractive to ministers both as a counterweight to the demands of Mr Parker and his buy-out consortium, and as a group of proven entrepreneurs who might have been able to give the shipyard a new direction.

Talks with officials of the Northern Ireland Office continued up to last week, but it had already become clear that the existing management had regained the initiative by enlisting the support of Mr Olsen, who entered the picture last month.

True to form, the elusive Mr Olsen was not at the Westminster press conference at which the deal was announced yesterday by Mr Tom King, the Northern Ireland Secretary. He was said to have "missed a connection."

However, Mr John Wallace, chairman of Fred Olsen UK, made clear that Mr Olsen believes Harland can be transformed into a profitable producer of small to medium-sized tankers, probably along the lines of the three 150,000 deadweight tonnes ships for which he intends to place orders shortly.

This strategy runs counter to the received wisdom in European shipbuilding – and in Harland and Wolff until last month – that European yards could no longer compete head-on for relatively simple tanker contracts with the cheaper Japanese and South Korean yards.

It also challenges the strategy of the European Commission, which is trying to push European yards towards building more sophisticated ships – an area in which it believes Europe retains a technological lead.

The Commission is unlikely to block the deal on these grounds, given the sensitive position of Harland in the economy. But it will also have to approve the £500m-plus restructuring programme announced yesterday.

There were smiles from all parties yesterday, but no-one was pretending that turning round the yard would be easy. As Mr King put it: "This is not the end of the story, this is the beginning of the challenge."

**NOTICE OF ISSUANCE OF STOCKHOLDER RIGHTS**

**To the Holders of Texaco International Financial Corporation 8% Sterling/Dollar Convertible Guaranteed Loan Stock 1981/99**
**and**
**To the Holders of Texaco Capital N.V. 11⅞% Convertible Subordinated Debentures Due 1994**
**and**
**11¾% Convertible Subordinated Debentures *Due 1994***

NOTICE IS HEREBY GIVEN that the Board of Directors of Texaco Inc. ("Texaco") adopted on March 16, 1989 a Stockholder Rights Plan designed to deter certain coercive takeover tactics and to give the Board of Directors and management sufficient time to explore available opportunities to maximize stockholder values in the face of an unsolicited offer for Texaco. Under the plan, each stockholder of record at the close of business on April 3, 1989 will receive a dividend distribution of one Right for each share of Texaco common stock. In addition, each share of Texaco common stock issued after April 3, 1989, and prior to the "Distribution Date" referred to below, including shares of Texaco common stock issued upon conversion of the 11⅞% Debentures, the 11¾% Debentures or the 8% Sterling/Dollar Loan Stock, will automatically carry with it one Right.

The Rights will not become exercisable unless and until a Distribution Date occurs. The Distribution Date is the earlier of (a) ten days after the public announcement that a person or group beneficially owns 20% or more of the Texaco common shares and (b) ten business days (subject to extension) after the commencement of a tender or exchange offer which would result in the offeror beneficially owning 20% or more of the Texaco common shares.

Each Right, if exercisable prior to the date a person acquires 20% or more of the Texaco common shares, entitles stockholders to purchase from Texaco one one-hundredth of a share of a new series of junior participating preferred stock at an exercise price of $150, subject to adjustment.

If any person or group acquires 20% or more of the Texaco common shares (except under certain circumstances described in the Stockholder Rights Plan), each Right not owned by such person or group will entitle the holder to purchase, at the Right's then-current exercise price, in lieu of shares of the new junior participating preferred stock, common shares of Texaco worth twice the Right's exercise price. However, in any such event, the Rights are not exercisable until such time as they are no longer redeemable by Texaco.

In addition, if thereafter Texaco is involved in a merger or similar transaction in which its common shares are changed or converted, or sells 50% or more of its assets to another person (except under certain circumstances described in the Stockholder Rights Plan), each unexercised Right will entitle its holder to purchase, at the Right's then-current exercise price, common shares of the other person worth twice the Right's exercise price.

The Rights will expire on April 3, 1999, unless earlier redeemed or stockholders fail to approve the continuation of the Stockholder Rights Plan beyond the 1989 Annual Meeting of Stockholders. Texaco may redeem the Rights at $.01 per Right at any time prior to the close of business on the tenth day following the public announcement that any person or group beneficially owns 20% or more of the Texaco common shares (or any extension of such period).

No adjustment of the conversion price of the 11⅞% Debentures, the 11¾% Debentures or the 8% Sterling/Dollar Loan Stock is required in connection with the declaration and issuance of the Rights. In the event a Distribution Date occurs, the Board of Directors of Texaco will then determine the fair market value of the Rights, and the appropriate adjustment, if any, of the conversion price will be made.

TEXACO INC.

*Dated: March 23, 1989*

## UK NEWS

# Ulster wins £100m telecoms deal

**By Our Belfast Correspondent**

A £100M INVESTMENT partnership announced yesterday will give Northern Ireland a world-leading telecommunications infrastructure and create new opportunities for high growth computing-based industries within the province.

Central to the joint initiative between British Telecom Northern Ireland, the Department of Economic Development and the European Commission is an award of £7.25m from the European Regional Development Fund as part of the European Community's STAR telecommunications programme.

Northern Ireland is the only region of the UK participating in STAR and BT has been selected to implement the measures and is integrating it into a programme estimated to cost up to £100m over the next three years.

The EC award will be used to contribute towards costs of developing an optical fibre telecommunications network within the province and fibre optic links to Great Britain and the Republic of Ireland, offering access to advanced communications and European databases.

Effectively it will make distance irrelevant to business activity and, post-1992, should shift Northern Ireland from the edge of Europe into becoming a key communications bridgehead between Europe and America.

BT Northern Ireland was selected to implement the STAR programme in the face of strong competition from Mercury Communications.

Mr Doug Riley, BT Northern Ireland's chief executive, said Northern Ireland's business community would find themselves better equipped to compete with Europe and the rest of the world on a better than equal basis via one of the world's most advanced voice and data networks.

Mr Riley said "the ball is now in the court of Northern Ireland's entrepreneurs. We have the infrastructure, the expertise, and one of the best educated and available pools of information technology skills in the EC.

"Already these factors have persuaded my own company to base in Belfast a major software centre employing 150 graduates.

"The real challenge from STAR is for the Northern Ireland business community to exploit to the full the network we are building and seize the ever-increasing opportunities that will emerge."

The European STAR programme aims at bringing the telecommunications infrastructures of so-called less favoured regions up to the level of the more advanced European economies.

While Northern Ireland is the only UK region to be included in STAR, it already has the benefit of a highly developed BT network.

As a result the STAR investment in Northern Ireland will be used to bring in further advances some five years earlier than they might otherwise have arrived and to give the province an edge over even the advanced societies of the new European "communication village."

Fibre optic technology represents the future for high quality, high speed communications. The hair-thin fibres of purest glass are capable of transmitting huge quantities of information on laser light pulses at phenomenal speeds. It is ideal for delivering vast amounts of uncorrupted computer data, high definition television, two-way video, and developments such as home shopping or remotely-fed computer applications.

New developments planned include special digital equipment at 44 locations across the province which will allow advanced communications from a single telephone and the extension of advanced data facilities into remote areas of Northern Ireland which would not be available on purely commercial grounds.

Mr Tom King, Northern Ireland Secretary, said yesterday that the investment would provide business users in all areas of the province with access to exciting new services and opportunities.

Mr King said the potential for new jobs was enormous and it was a development not only important for the business community but for the Northern Ireland economy in general.

# Appeal Court ruling goes against Plessey on GPT share sale

**By Raymond Hughes,** Law Courts Correspondent

PLESSEY has again failed to get court backing for its attempt to force the sale to it of General Electric Company's half share of GPT, their joint venture telecommunications company.

Three Court of Appeal judges yesterday threw out Plessey's challenge to last month's High Court decision in GEC's favour.

GEC had been granted a declaration that Plessey was not entitled to exercise an option in the GPT agreement compulsorily to buy out GEC's 50 per cent shareholding.

Lord Justice Kerr said yesterday that Plessey's claim was "a non-starter" and its arguments "manifestly untenable."

Plessey was refused leave to appeal to the House of Lords but can apply direct to the Law Lords for leave.

GPT was formed last March when GEC and Plessey agreed to merge their telecommunications interests. Valued at around £1.8bn, it constitutes substantially the whole of the UK's telecommunications manufacturing capacity. Plessey's half share is its largest single asset while GEC's share is one of its major assets.

GEC had said that a forced buy-out would have drastic consequences for it. It would lose its strategic place in the UK telecommunications industry and, because of the basis upon which its half interest would be valued, also lose an estimated £200m on the market value of its GPT holding.

Plessey argued that the mere signing of last November's agreement between GEC and Siemens, of West Germany, to make a £1.7bn takeover bid for Plessey triggered its compulsory purchase option.

Under that agreement GEC accepted obligations to Siemens in relation to a proposed restructuring of GPT after a successful takeover to give Siemens a 40 per cent interest in GPT. Plessey contended that that breached a restriction in the GPT agreement on dealing in GPT shares, which entitled Plessey to exercise the option.

In the High Court Mr Justice Morritt had held that the obligations did not exist until the bid became, or could be declared, unconditional. As a result of its referral to the Monopolies and Mergers Commission in January the offer had lapsed.

Mr Justice Morritt had added that, if he had not decided the case on the basis of the conditional nature of the obligations, he would have held in Plessey's favour that the obligation accepted by GEC to vote its GPT shares for the proposed restructuring involved GEC dealing in GPT shares in breach of the agreement with Plessey.

That agreement permits one party compulsorily to purchase the other's shares in any one of a number of "relevant events", one of which is breach of a restriction on dealing in GPT shares.

Lord Justice Kerr said that Plessey had to argue that the bid agreement itself somehow contravened the GPT agreement. But the only commonsense answer to the question "when the bid agreement had been signed .... had GEC dealt with any interest in its shares in GPT?" must be "No".

He said it must be remembered that the implementation of the proposals for restructuring GPT had been expressly made conditional on the offer for Plessey becoming unconditional.

He pointed out that both GEC and Siemens had wished at all costs to avoid a breach of the GPT agreement.

Lord Justice Nourse and Lord Justice Staughton agreed that Plessey's appeal must be dismissed on the conditionality point. Lord Justice Nourse alone agreed with Mr Justice Morritt on Plessey's alternative case.

# Swan Hunter wins £30m deal

**By Rachel Johnson**

SWAN HUNTER, the privatised north eastern shipyard, yesterday signed a contract to build the British Antarctic Survey a new research and logistics vessel for more than £30m.

The order is for a 7,400-tonne survey ship, the James Clark Ross, for BAS's South Polar research programmes. It will replace the 33-year-old research ship the John Biscoe.

Swan Hunter is the UK's last remaining substantial east coast shipyard, and has laid off 1,700 workers since privatisation three years ago.

Mr Roger Vaughan, Swan Hunter's deputy chief executive, said that the new order, coupled with its £110m contract of 1987 to build a oil supply ship for Royal Fleet Auxiliary, would safeguard the jobs of the shipyard's 2,800 workers until 1990. The order is unlikely to create new jobs.

# Boeing AWACs offset work 'is on schedule'

**By David White,** Defence Correspondent

BOEING and Ministry of Defence officials yesterday fended off criticism about the level of offsets being received by UK industry as a result of the Government's decision in late 1986 to buy the US Airborne Warning and Control System (AWACS) instead of the UK's Nimrod early warning radar project.

The House of Commons defence committee was told that the US company might complete its programme for contracts worth 130 per cent of the £860m paid by the UK for the AWACS system ahead of schedule, countering accusations that it was falling behind.

Boeing claimed offset work would create 40,000 jobs in the UK over five years. The eight-year offset programme is due to be completed in 1994.

Mr Tom Manning, a senior Boeing executive in charge of British and French offsets linked to purchases of AWACS, told the committee then company's goal was to complete the programme earlier to cut administration costs, which he put at $10m. This was backed up by Sir Colin Chandler, the MoD's defence exports head.

Boeing has put forward $530m worth of contracts for the period from November 1986 to June 1988, out of more than $2bn which the company and its subcontractors had placed in the UK during that time. This was on schedule, allowing time for disagreements over some contracts.

The MoD has so far approved $163m of offsets, referring to contracts placed up to the end of 1987. Approval of a further £50m is said by the company to be imminent, and another $54m worth is awaiting clarification.

# Labour hint on entry to EMS

**By Philip Stephens,** Political Editor

MR JOHN SMITH, the opposition Labour Party's spokesman on the economy yesterday sought to give an international dimension to the party's new economic strategy in a speech calling for much closer international policy co-ordination.

He also appeared to nudge the party a step closer to an eventual commitment to take sterling into the European Monetary System by stressing the need for continued management of exchange rates in the 1990s.

The European Monetary System had demonstrated how a regional mechanism could contribute to exchange rate stability, he said.

Speaking to the American Chamber of Commerce, Mr Smith warned, however, that emerging trade imbalances within Europe would require a substantial revaluation of the D-Mark as part of a move towards closer economic integration after 1992.

West Germany's surplus with the rest of Europe had risen by 30 per cent in 1988 to almost DM81bn, and Britain's deficit with the Federal Republic had reached record levels.

The risk at present was that the combined effect of a single European market and efforts to reduce the huge US trade deficit would hit hardest those countries running unsustainable trade gaps.

The solution lay not just in faster economic growth in West Germany but in a revaluation of the D-Mark.

Mr Smith made no direct reference to British membership of the EMS but entry would be conditional on a "competitive exchange rate".

# Channon approves £40m British Rail train deal

**By Kevin Brown,** Transport Correspondent

MR PAUL CHANNON, the Transport Secretary, yesterday gave the go-ahead for British Rail to order 31 modern electric trains for Network SouthEast services.

The £40m order will go to Brel, formerly British Rail Engineering, which was sold earlier this year to a management and employee buy-out consortium backed by Trafalgar House and Asea Brown Boveri.

BR initially asked the Government to approve an order for an additional 25 four-car trains. But it was asked by the Transport Department to review whether the vehicles were necessary.

Embarrassingly for the Government, the review indicated that railway managers had underestimated potential demand, which in fact justified an extra 124 vehicles.

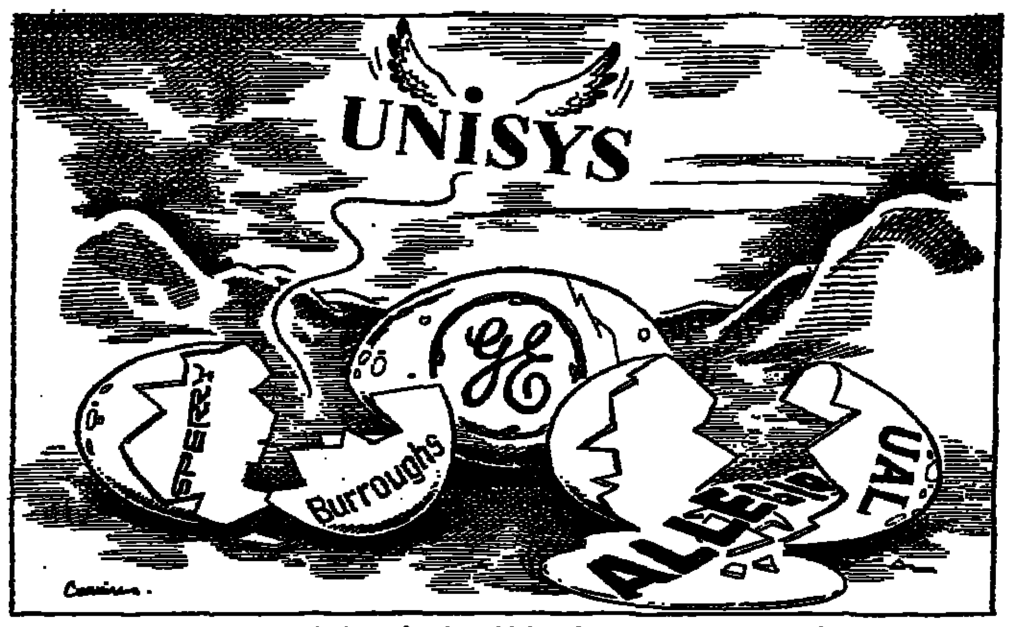
The Transport Department has denied that it delayed the order, and pointed out that no request for capital spending has been refused in the last five years.

However, BR officials believe the request for a review was a delaying tactic.

They point out that Transport Department Civil Servants were well aware of the calculations made by Network SouthEast staff.

The new trains will be used on services into the London terminals at Liverpool Street, Fenchurch Street, King's Cross and Euston.

**MANAGEMENT:** Marketing and Advertising




Studies in corporate identity: Unisys, despite criticism, has proved successful; Allegis lasted little more than a month; while GE remains unchanged despite a costly programme

# Melting pot fallout

**Alice Rawsthorn** explains how the corporate identity industry has benefited from the worldwide wave of mergers

A cursory glance at this year's Master of Business Administration syllabus from the Harvard Business School is enough to gladden the heart of any corporate identity design consultant in the US.

Buried among the customary analyses of corporate successes and failures were two new case studies – both analysing the impact of corporate identity design programmes on blue chip companies.

For years the design consultants of New York, Chicago and San Francisco have plied the virtue of their discipline from conference platforms and glossy brochures. Now Harvard's decision to include corporate identity in its MBA syllabus underlines its growing stature in the business establishment. Whereas the concept of corporate identity is still struggling for acceptance in Europe, it is regarded as a more mature discipline in the US.

Today the corporate identity industry in the US is the largest and, arguably, the most influential in the world. Corporate identity – which embraces everything from the design of corporate logos to the sophisticated business of image management – dates back to the first wave of mergers that swept across US industry in the 1960s.

Initially the process of corporate identity was comparatively simple. The early consultancies restricted their role to inventing names and devising symbols for the products of these mergers.

But corporate identity assumed a more strategic role in the social upheaval of the late 1960s when the "capitalist" industrial groups became the target for anti-Vietnam peace protesters. "After Vietnam we experienced grey power and then gay power," says Joel Portugal, a principal of Anspach Grossman Portugal, one of the leading consultancies in New York. "Suddenly companies had an enormous variety of audiences to address."

The consultancies that surfaced in the late 1960s – Siegel & Gale, AGP and Lippincott & Margulies in New York alongside Landor in San Francisco – still dominate the market in the US today...

These consultancies have flourished thanks to the crescendo of corporate activity – the bids, buy-outs and the influx of inward investment from European and Japanese companies – that has reshaped US industry in the 1980s. The bids and buy-outs have not only created new corporate entities – needing new names and new identities – but have increased the pressure on other companies to be seen to be competitive.

At the same time the nature of corporate identity projects has become increasingly complex. One factor is that the senior executives who commission design projects have become more aware of the potential of corporate identity and are thus more demanding of their consultancies.

Similarly the scale of projects is far greater. Companies now use corporate identities to communicate with a wider audience – increasingly with employees, for example. The level of project management required is much more sophisticated.

"The days of one-off projects are over," says John Diefenbach, president of Landor. "Corporate identity today involves long term programmes and long term relationships between the company and its consultancy."

The challenge of coping with increasingly sophisticated projects is complicated by the sheer speed of corporate activity in the US. The apparently endless stream of acquisitions and mergers means that the corporate landscape changes with bewildering frequency.

J.P. Stevens, once one of the most powerful players in US textiles, has undergone two changes of ownership – first West-Point Pepperell, then Farley Industries – in as many years. Entire industries, such as food, have been transformed by bids and buy-outs.

The companies affected by this activity tend to draft in design consultancies to create a new identity with which they can make their mark among employees and the investment community. This has produced a bonanza for the consultancies. It has also created something of a dilemma.

"For years we have prided ourselves on analysing the culture of corporations in such depth that we can help them to express their true identity," says Alan Siegel, president of Siegel & Gale. "The corporate activity of the 1980s has created such upheaval that we are often asked to work with companies which are too new to have developed identities of their own."

Siegel suspects that the sensible option would be for companies to adopt interim solutions until they have matured. The irony is that these very companies are most in need of instant identities.

Some new identities are successful. When Burroughs and Sperry, the computer colossi, joined forces two years ago, they consciously chose a new name to emphasise the fact that their union was a merger rather than a takeover. Their choice, Unisys – chosen in conjunction with AGP – was pilloried at first, but has since been accepted.

Others have been less successful. UAL, the owners of United Airlines, spent a year and over $7m (£4m) to produce a new name, Allegis, with the help of L&M. The name, derived from "allegiant", was intended to convey the concept of longevity. Allegis lasted for little more than a month before it was axed in the wake of a boardroom coup.

The increased complexity, scale and speed of corporate identity programmes has prompted the large consultancies to strengthen their strategic resources in areas such as research and analysis. Yet their greatest challenge – and opportunity – lies outside the US in the fast expanding field of international projects.

Traditionally the US consultancies, like their European counterparts, concentrated on domestic projects. The demand for international projects has increased rapidly in recent years, thanks to the expansion of US companies into Europe and South East Asia and the influx of overseas investment into the US. These companies need to present a coherent image across different countries and cultures.

Hitherto consultancies handled international projects from their New York or San Francisco headquarters. Some continue to do so. Others have concluded that the complex projects of today require an international network of offices to provide an efficient service in different countries.

Landor formed the first international network in the early 1970s when it opened offices outside the US to handle projects for international airlines. It now employs 500 people in 21 offices across 19 countries.

In recent years the US corporate identity industry has become embroiled in its own wave of corporate activity as consultancies have joined forces with larger groups to secure the capital and support needed to expand internationally.

Saatchi & Saatchi, the ambitious UK advertising agency, added S&G to its burgeoning marketing empire in 1985. Two years ago L&M joined Marsh & McLennan's US consultancy interests. AGP was bought by WPP Group, now the biggest force in the international design industry, last year.

S&G has since expanded into California, Europe and Australia. By the end of the year it will have opened offices in Tokyo and Hong Kong. AGP intends to open a European office.

Conversely, the US consultancies could confront more intense competition on their traditional territory from their British counterparts. Pentagram has had a US base for several years. Wolff Olins has opened a small office in San Francisco and is considering plans for a bigger base in New York.

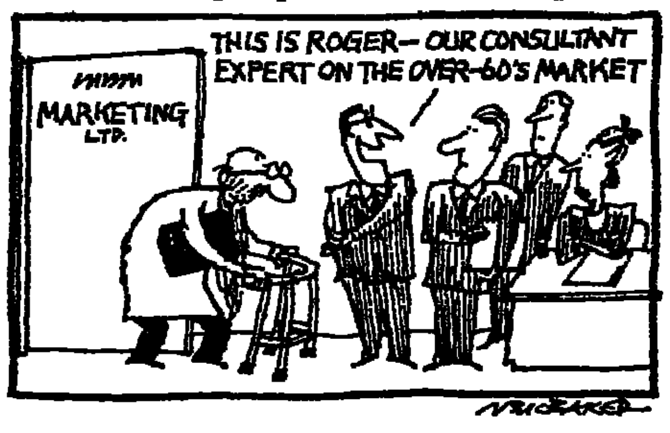
The formation of the international networks has been far from effortless. The new networks have already confronted recruitment and logistical problems. Moreover it can take a long, long time – as Landor and Pentagram have discovered – to become established in a new country.

Yet the expansion continues. "The fun in this business is solving the biggest and trickiest problems," says Joel Portugal. "These days those problems are almost always international. And whether we like it or not, we have to become international too."

## Buying patterns

# Age gets the upper hand

**Inheritance will undermine retailing, reports Michael Skapinker**




Is there, somewhere in Western Europe, a company which manufactures self-cleaning windows?

There is certainly a market for such a product, says Professor Manfred Perlitz of the University of Lüneburg in West Germany. Old people find it difficult to clean their windows. They also find it difficult to clean their carpets. Why is there no easy-to-handle vacuum cleaner that they could use? Why, for that matter, couldn't someone come up with a self-cleaning carpet?

In the 1990s, producers of goods and services will have to spend a good deal of their time dreaming up products for the over-60s to buy. Europe's population is ageing, and the retired are becoming an attractive market sector.

That the number of young people is also falling is a fact of which employers are already aware. Many are finding it difficult to find the workers they need.

From a sales point of view, some companies appreciate, too, that the youth market will diminish in importance. For producers of some consumer goods, Perlitz says, the situation is even more serious than they realise.

Writing in the first issue of the European Business Journal, Perlitz points out that 40 years of peace have enabled Western Europeans to accumulate wealth on an unprecedented scale. Europe's senior citizens will live longer. But they will also pass on far more property to their children when they die.

Perlitz says that between now and 1995, the generation which is in its forties today will inherit up to 35 per cent of all the houses in Western Europe from the generation which is now in its sixties. In Britain, assets worth £9bn a year will change hands through inheritance between now and the turn of the century.

That inheritance will not consist only of housing. Those who are in their forties today "will also inherit a number of durables such as refrigerators, washing machines, freezers, dryers, irons, cookers, TV sets, video recorders, jewellery, carpets and antiques." Many of those in their forties, however, already own goods of this sort.

So who will use them? The children of those now in their forties, Perlitz says. They will be setting up their own households and will be glad to have their grandparents television sets and video recorders, if only for a few years.

"After the children and the grandchildren have absorbed the assets that they want, the rest of the household goods will be offered for sale in the small ads. The possibility of acquiring a set of basic goods cheaply will thus be opened to new groups of people. This development raises serious problems for industries producing durables," Perlitz says.

Their market among people of working age might contract to an even greater extent than they fear. "Moreover, similar problems may arise in sectors involving arts, antiques, jewellery and other luxury goods."

For all these reasons, Perlitz says, companies will have to pay greater attention to the needs of those who have retired. There are positive reasons for doing so even without the fall in the working population. The spending power of a 60 year old is far higher than that of a 20 year old.

In the US, he says, people over the age of 50 already control more than half of the nation's assets and discretionary income. Eighty per cent of all luxury travel in the US is purchased by people over 55. Forty-eight per cent of luxury cars in America are bought by people of that age group.

The pensioners market needs to be approached differently, he says. As people get older, their retinas capture less light than those of younger people. Advertising and packaging will have to take account of this. There is also evidence, Perlitz says, that older people prefer smaller shops.

Some of the products that could be manufactured for older people were mentioned at the beginning of this article. There are others. A car designed specifically for the elderly, making handling and parking easier, is another possibility.

"In the service sector, too, there is great potential in the seniors' market since a number of tasks in the household can no longer be carried out by the older population. Nursing care, services in the home, transportation, a choice of services in the cultural and leisure sectors will be in the forefront of developments," he says.

Financial institutions also have a role to play, he says. One of the problems associated with the demographic change he describes is that the working population will find it difficult to fund the pension needs of the retired. One of the ways that pensions could be provided, he says, is by using the equity that retired people have tied up in their homes.

"There is a need for a financing pattern which will allow home-owners to sell their houses to financial institutions and in return obtain a pension for life. After their death, their houses will then become the property of the financial institution. In a sense, what is needed are reverse mortgages," he says.

*European Business Journal, 19b Compton Terrace, London N1 2UN. Tel: 01-359-5979.*

## ACCOUNTANCY COLUMN

# Players show their cards over Dearing plans

By Richard Waters

REGULAR readers of this column will recall that a couple of weeks ago a game of poker was being played over the Dearing proposals on setting and enforcing accounting standards in the UK – the first overhaul of this system for nearly 20 years.

All the cards in this poker game had been dealt, but only the Department of Trade and Industry had announced its bid. Others taking part in the game were playing their cards close to their chests. Things have come on since then.

There have been three more bids – from the Hundred Group (an association of leading finance directors who can speak for about three quarters of the 100 largest companies in the UK); the Stock Exchange; and the accountancy profession, through its Consultative Committee of Accountancy Bodies.

The bidding has been pretty much as expected. Dearing had sought a balance between the accountants, the Government and the City (represented primarily by the Stock Exchange). They should share the costs of the new system, and they should all have the power to challenge companies in court over their accounting methods.

The DTI responded first by saying that most of Sir Ron Dearing's proposals for a beefed-up system should be adopted, but not all of them.

It drew the line on two points: that the Government should provide about half the money for the new system through a £1 levy on all companies, and that the law should be changed to put the burden of proof on to directors to justify any departure from accounting standards.

**The accountants' message is that the Department of Trade and Industry already has the power to enforce standards, and should live up to its responsibility**

The first of these would give the Government too much influence (for which read "responsibility") in the whole process. Shouldn't the Stock Exchange put up some of the cash...?

The second proposal amounted to statutory backing for accounting standards, it said.

However, it did not object to the Stock Exchange and the new accounting standards body having the power to take directors to court over a failure to comply with accounting standards.

All of this gave the clear indication that the Government was not keen to carry the can for the new system. The City, as well as the accountancy profession, would have to do its bit.

The next bid came from an unexpected quarter: the *finance directors*. *Finance directors* are the poachers rather than the gamekeepers, and so might be expected to benefit from an inefficient system of accounting standards.

They have an interest, however, in being users as well as preparers of accounts. When acquiring or granting credit to other businesses, companies themselves rely on published financial information.

Doing a good impersonation of a poacher-turned-gamekeeper, Mr Ian Tegner, chairman of the Hundred Group and finance director of Midland Bank (which ran into a few difficulties itself over a controversial accounting treatment a year or so ago) said that Dearing should be adopted without delay.

However, the Hundred Group fudged on an important issue – whether directors should shoulder the burden of proof when departing from accounting standards. And anyway, it is not their bid that counts at the end of the day. They are not the ones who will have to run the new system.

*Bid number three was* startling. Everyone had expected the Stock Exchange to be lukewarm on Dearing, but no-one expected it to put the boot in *with quite the vehemence it* showed.

The Exchange began disingenuously with the claim that few companies fail to comply *with accounting standards* – conveniently forgetting to mention the wholesale non-compliance with the current cost accounting standard, SSAP 16.

**The Exchange then launched a full-frontal attack on the Dearing system. Subtle it certainly was not, but it left everyone in no doubt about the future**

The Exchange then launched a full-frontal attack on the Dearing system, concluding that it is unnecessary, too complex and too expensive. And it certainly has no intention of putting up any money for the new structure. Shouldn't the practising accountancy firms pay for the system out of the audit fees they receive...?

Subtle it certainly was not, being the verbal equivalent of a knee in the groin, but it left everyone in no doubt about the future: whatever replaces the Accounting Standards Committee, the Exchange does not want to be involved.

This just left the accountants. Their hand, it has to be said, has left much to be desired. They shoulder all the responsibility of the present system. Having sponsored Dearing in the hope of passing off some of this responsibility, *they have found themselves* once again ushered into the firing line by the DTI and the Stock Exchange.

Their bid, when it came, was *all that could be expected*. Giving power to three bodies to take directors to court over their accounts "would lead to responsibility for action (or inaction) being shifted from one party to another". Therefore only the DTI should have this power.

It also took issue with the DTI's thoughts on shifting the burden of proof on to directors to justify non-compliance with standards.

The Government claimed this would give standards the force of law: but the accountants claim that standards already have this force.

It is implicit in a 1987 judgement, known as the Littlejohn case, *which established that* there is a "rebuttable presumption that accounts which do not comply with accounting standards are not true and *fair", they said.*

The accountants' message is therefore that the DTI already has the power to enforce standards, and should live up to its *responsibility*. The debate about enforcement sparked by Dearing has therefore largely been a red herring.

And the money? Shouldn't this come *from the DTI*, in the form of a levy on companies when they file their accounts...?

It is not surprising if this all sounds circular: it is.

However, the end to this debate must now be in sight (the timetable for the Companies Bill means that the DTI has to come to a decision within the next few weeks).

Short of the entry of any new parties – and the the Bank of England and the Securities and Investments Board have pointedly stayed out of the running – it is developing into a straight face-off between the Government and the accountants. No prizes for guessing who will win this contest.

This column recently likened the Dearing debate to a process of passing the buck. The buck is now very close to finding its final resting place...



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As the top Financial member of our management team, you will have the opportunity to help manage our growth. Specific responsibilities include the establishment and monitoring of standardized financial policies and controls, managing the financial departments of overseas subsidiaries, and further improving the computerized accounting and management reporting systems.

Additionally, you have responsibility for the legal and administrative activities of the group companies, including assisting in Distributor Agreements, liaison with outside legal counsil, and managing the contracts department. Travel worldwide is approximately 25%.

The successful candidate will have at least five years in financial management, including managing at the headquarters level.

This is a challenging position with a fast growing company. We offer an attractive package including a revenue based bonus program, medical and pension benefits.

Please send an up-to-date CV to:

***Dan Almour, CANDLE SERVICE LTD, Swan Gardens, 10 Piccadilly, London W1V***

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## RECENTLY QUALIFIED ACAs

**Management Consultancy**

New Bridge Street Consultants specialises in high level consultancy assignments developing capital rewards and is looking for two recently qualified accountants to contribute to the development and expansion of its activities. Founded in 1984 and wholly owned by the solicitors Clifford Chance, NBS has expanded rapidly and could offer you excellent opportunities for personal development in a multi-disciplinary professional environment.

NBS is an innovative consultancy and has made a major contribution to the development of ESOPs in the UK - particularly leveraged ESOPs. Candidates should be graduate chartered accountants with about 2 years pqe. No previous specialist experience is required although investigations or banking experience might be useful. The ability to prepare financial projections is essential as are excellent communication skills.

Reply with full CV to Laurie Brennan, Chief Executive, New Bridge Street Consultants Limited, Tallis House, 2 Tallis Street, London EC4Y 0BJ.

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# *Finance Director*

*S. Coast – Hampshire*

***Circa £25,000 + Car + Excellent Benefits***

A well established manufacturing company, part of a major plc, require to strengthen their business through the appointment of a Finance Director. The successful applicant will report directly to the Managing Director and be a key member of the Board.

The requirements necessary, include comprehensive financial experience gained through a manufacturing background, computer awareness and an ability to motivate and manage people.

Only those who are prepared to actively participate in the growth of the company should apply, sending a full career resume to:–

C.P.S. Associates, "Chipstead", Blackdown Avenue, Pyrford, Surrey. GU22 8QH.

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## REINSURANCE AUDIT, BAHRAIN

**Arab Insurance Group,** an international reinsurance company with a worldwide business spread, invites applications for a managerial position to head the audit function at its head office in Bahrain.

The position involves emphasis on operational reinsurance audit in a challenging and professional environment, at the company's head office and overseas branches.

Candidates must have a minimum of five years' experience in operational audit of reinsurance business in a computerised environment and preferably possess a suitable insurance/audit qualification.

The position offers a competitive tax-free salary and attractive benefits.

Applications marked with job reference — AUDIT (1)-89 together with full C.V. should be sent to:

Personnel Manager, c/o Arab Insurance Group (B.S.C.)
Plantation House, 8th Floor — Section B,
31-35 Fenchurch Street, London EC3M 3DX, UK

# Financial Controller

## North London

## c£25,000 + Car

This subsidiary (t/o £10m) of an acquisitive UK plc is involved in all aspects of industrial video production from equipment distribution through to design and installation of visual communication systems.

Reporting to the Managing Director this will be a hands-on role with total responsibility for the finance function including the regional locations. Key areas will involve developing existing computer systems and ensuring tight financial controls.

Candidates should preferably be qualified accountants, age indicator 30-45, with proven line accountancy experience gained within a marketing led company. Good interpersonal skills and a high level of commitment in order to achieve the projected growth plans for the subsidiary are necessary.

Proven success will lead to a broad appointment and the remuneration package includes future share options and relocation assistance if applicable.

Please telephone or write enclosing full curriculum vitae quoting ref: 316 to:
Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572
Fax: 01-925 2336

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

## SWAPS TRADER

Leading international investment group requires swap trader, aged 25-35, to specialise in interest rate and currency swap transactions. Applicants require in depth knowledge of International Swap and Capital Markets, International Treasury Management techniques and expertise in inter-market arbitrage opportunities for clients. Ability to give swap presentations as well as perform analyses and execute transactions; to write computer models to transform gilts into synthetic US$ instrument (familiarity with Fortran computers and software, Lotus 1-2-3) combined with 2-3 years swaps trading experience and financial/international business management background essential. Educated to degree standard. Salary negotiable.

Please write in strictest confidence, enclosing full cv to
Box A1184 Financial Times, One Southwark Bridge,
London SE1 9HL

## Financial Controller/Director Designate

Progressive UK haulage company based in East Anglia requires a qualified accountant. Reporting direct to the Chairman this post will suit a person wishing to pursue an active career in commerce, and it is anticipated that a directorship will follow in due course.

Apart from sound financial skills the ideal candidate should be able to communicate well and be flexible in approach.

The financial package will be negotiable depending on experience but will be competitive and include a car.

*Candidates should first reply in writing, with full C.V., to:-*

Colin Knight, Goodway Ltd
Unit 6, Hodgkingson Road
Felixstowe
Suffolk IP11 8QT

# Manager Audit & Projects

## c.£30,000 + Car
## Age 35-45

This client requires an experienced Audit Manager to develop a small internal audit group into a strong Audit and Projects team which will also constitute an effective internal consulting force. It is an opportunity to gain very wide experience and there will be future career prospects beyond the audit function.

The client is a major service sector Group with an interesting and unique role, an extensive high technology infrastructure, and a high public profile.

The Manager of Audit and Projects will be a qualified accountant with substantial experience of internal audit applied to a large scale organisation. A flair for management is required in addition to the technical expertise to lead the team and set the standards across the range of financial, computer and contract audit programmes. Upward reporting is in line with current best practice. Base location will be central London with major locations in the South East and Scotland.

Please reply in confidence quoting reference E162 to:-

*Margaret Mitchell FCCA*
Mason & Nurse Associates
5a Station Road, Egham
Surrey TW20 9LD. Tel: 0784 71255
*Offices in London, Birmingham and Egham.*

Mason & Nurse
Selection & Search

# Head of Audit

WEST MIDLANDS TO £40,000

PowerGen will be one of the two generating companies in the UK following the privatisation of the electricity industry. Preparations to enter the private sector are well advanced and PowerGen is now operating as a division of the CEGB.

With 10,000 staff and turnover expected to exceed £2.5 billion, the changes being undertaken present a challenging and dynamic environment. As part of the process of completing its senior management team, it now seeks an experienced Financial Manager to lead the internal audit function and to play an active role in financial control and management.

Reporting to the Executive Director of Finance and leading a team of 20, you will develop the audit function to ensure high standards of compliance and provide constructive input to the operation and management of the Company. As a member of the financial management team, you will be expected to contribute on a wide range of issues.

A qualified accountant, probably aged at least 32, you will have wide financial management experience gained in the private sector or perhaps at a senior level in a major accounting firm. An experienced manager of staff, you should be conversant with modern audit techniques and be able to contribute to the financial management of the organisation.

You will be involved with all facets of PowerGen's business and thus be well placed to take advantage of the excellent further career development prospects.

Résumés please, including a day time telephone number, to Robin Alcock, quoting Ref: RA 525, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ.

Executive Resourcing
Coopers & Lybrand

## APPOINTMENTS WANTED

### FCA

Experienced UK and Overseas seeks FD role full or part time. Bucks, Berks, Middlesex, Herts area.

*Write Box A1182, Financial Times, One Southwark Bridge, London SE1 9HL*

# Finance Director

## North West

## £40,000 + Car

Our client is one of the UK's leading specialist distribution and service groups with a turnover of c£150m. Its history of rapid organic growth, supported by strategic acquisitions, has built a marketing led group, ideally placed to respond with vigour to the *requirements of a highly competitive market.*

Recent restructuring and relocation of Head Office functions to the North West has created the need for a Financial Director within the group's major operating division, to assume responsibility for the financial, information technology, company secretarial and stock control functions. In addition to the normal responsibilities associated with a position at this level, you will be expected to work closely with the Managing Director in the areas of strategic planning, business development and liaison with the City.

Candidates should be qualified accountants with a track record of success in financial and man management, achieved within a challenging commercial environment. Ideally you will currently hold a Board position. As this is a key position within *the group, highly developed interpersonal skills and* business acumen are prerequisites. The salary package is negotiable and will not be a limiting factor. Full relocation facilities will be provided where appropriate.

Interested applicants should write to **Iain Blair ACMA,** enclosing comprehensive Curriculum Vitae, quoting Ref 3098 at Michael Page Finance,
Executive Division, Clarendon House,
81 Mosley Street, Manchester M2 3LQ.
Tel: 061-228 0396.

MP
Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

# FINANCIAL PLANNING MANAGER

MARLOW, S. BUCKS

UP TO £30,000 (INC. BONUS) PLUS 700 SERIES VOLVO AND EXCEPTIONAL BENEFITS

Volvo Concessionaires is an important and highly successful subsidiary of Lex Service plc, the £1.5 billion automotive and electronic distribution group.

The company's impressive growth in a fiercely competitive sector over the last 30 years owes much to well-defined objectives, a coherent marketing strategy and the disciplined enthusiasm of its management team. The finance function is a well-integrated part of this team, contributing constructively in all areas of the business.

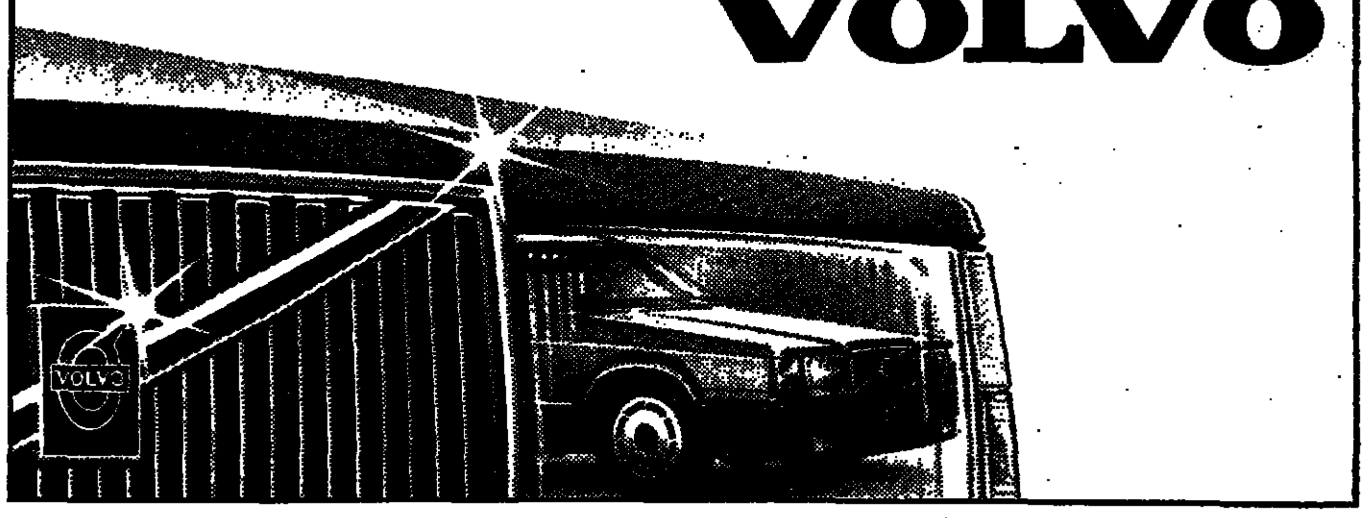
The Financial Planning Manager has a pivotal role in this environment preparing and presenting annual plans, short-term forecasts and regular performance reports. The job therefore demands an unusual degree of commercial orientation and the ability to communicate effectively with non-financial management. This requirement gives the job holder a high status in the organisation with correspondingly varied opportunities for progression at company and group level.

Applicants must be qualified accountants and probably aged under 30. Precise experience is less important than strong personal qualities evidenced by a sustained record of academic and professional achievement.

Benefits include a non-contributory pension scheme, private medical insurance, 28 days' annual holiday, plus relocation if appropriate.

Write or telephone for an application form or send full details (with daytime telephone number and current salary) to our advisor, R. A. Phillips, ACIS, FCII, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours). Please quote Ref: 1693/FT.

VOLVO



BRITISH CHANNEL ISLAND FERRIES

## FINANCIAL CONTROLLER

### c. £27,500 + Car + Benefits

We are the leading ferry operator to the Channel Islands and seek a Financial Controller *with responsibility for financial systems and* management accounting. The position, located in a pleasant South Coast area, reports directly to the Managing Director.

Applicants in their early 30's should be qualified accountants with a commercial outlook and have experience in a management role. Familiarity with microcomputer modelling techniques is essential and a knowledge of the travel industry would be an advantage.

***Applications in writing, enclosing a C.V. to:***
**Mrs D Hall, Personnel Dept.,**
**Fairfield House, Kingston Crescent,**
**Portsmouth PO2 8AA.**

## MANAGING DIRECTOR FINANCIAL SERVICES CO.

**£40K + Commission + Benefits** — **Central London**

MD required to head up financial services company associated with a firm of CAs. Proven sales ability and management skills are essential together with FSA Knowledge. Large part of job holder's responsibilities will be to build up new clients and profitability and ensure all activities comply with FIMBRA regulations.

Apply in writing enclosing a comprehensive CV to:-
Jane Clements, Recruitment Consultant
*Box A1183, Financial Times, One Southwark Bridge,*
London SE1 9HL

# DIRECTOR OF FINANCE

## Packaging
## Thames Valley Location
## £30K to £35K + Car + Bonus + Benefits

TAYLOWE LIMITED, an autonomous subsidiary of BPCC is a leading folding carton manufacturer in the U.K. with a turnover in excess of £22M per annum and with substantial growth potential.

We are seeking an experienced Director of Finance with full responsibility for the Financial Management of the business. This senior position, reporting to the Managing Director, forms part of a professional management team with responsibilities for business development and strategic planning.

A proven track record at senior level in a manufacturing environment is required, together with excellent communication skills, enthusiasm and commercial awareness.

The appointee will be qualified to A.C.M.A. and aged between 30 to 45 years. The remuneration package will reflect the importance of this position and will include a performance related bonus, fully expensed car, pension and medical cover, and relocation assistance where appropriate.

Please apply with CV in confidence to: Mr D Bisset, Managing Director,

Taylowe Limited
Malvern Road, Furse Platt, Maidenhead, SL6 7RE

QUALITY & EXCELLENCE IN PEOPLE & PRINT

Member of BPCC Ltd

# Audit Partner

## North West

## c.£45,000 + benefits

My client, a highly regarded and well established international practice, *has successfully concluded the first stage* of an ambitious development programme and the Partners are committed to further growth throughout the practice. In particular the audit sector has the potential for extremely rapid expansion in the short and medium term.

In order to support and enhance the achievement of the strategic plan the practice wishes to appoint a young, highly motivated and ambitious Audit Partner, who will make a major contribution to practice development in the broadest sense. Specific responsibilities will include controlling a portfolio of existing and newly acquired clients, working closely with the marketing department in the drive to attract new business, and assisting in the overall running of the audit department.

We are looking for an exceptional individual with commercial flair and business judgement. He/she will have gained a broad base of experience in a medium to large professional practice, and must demonstrate the highest technical competence, strong management and interpersonal skills, together with the capacity to work in a pressurised and demanding environment. Prospects for career and remuneration progression are outstanding.

Please write enclosing a CV to **Brian Marren, Douglas Llambias Associates, Brook House, 77 Fountain Street, Manchester M2 2EE.**

DLA
DOUGLAS LLAMBIAS

هكذا من الأصل

**RECRUITMENT ADVERTISING APPEARS ON MONDAY, WEDNESDAY & THURSDAY**

For further information please call:

Deirdre McCarthy on 873 4177

Candida Raymond on 873 3694

Elizabeth Rowan on 873 3456

Patrick Swerriff on 873 4627

Paul Maraviglia on 873 4676

Patrick Williams on 873 3351

or write to one of them at:-

*The Financial Times, One Southwark Bridge, London SE1 9HL*

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One of the best opportunities in 1989 for an experienced

# SWAP ACCOUNTANT

## Negotiable salary to £45,000 + first class benefits package

Sumitomo Finance International, the principal capital markets subsidiary of The Sumitomo Bank, Limited, is steadily building its presence in the swaps market focusing on increasingly innovative financing.

The present Swap Accountant will shortly be joining the Swap Department dealing team to concentrate on the structuring of new products. As a result a rare opportunity has arisen for a graduate Chartered Accountant of outstanding technical ability and creative flair in the swaps field to take immediate day-to-day responsibility for the full swap accounting and control function including a dedicated computer system for a rapidly expanding swap book.

To apply you should have a minimum of 3 years' experience gained in a prestigious swaps house. In addition you should possess exceptional analytical skills, have acquired technical mastery of the full range of swap-related products and their accounting implications and be conversant with current best accounting practice. Familiarity with the Devon system would be especially helpful but is not essential.

This position, which is at Assistant Manager level, involves a particularly high front office profile, with considerable exposure to senior Management. Prospects for advancement are outstanding, with the opportunity to move into the Swaps Department in the medium term assured for the right candidate.

The successful candidate will have qualified with one of the "big 8" firms, have a first-time pass record and hold at least a second class honours degree. Strong inter-personal skills and a confident, outgoing personality are required to succeed in this demanding role.

Interested applicants should write to **J. M. Graham, Executive Director & Chief Accountant, at Sumitomo Finance International, 107 Cheapside, London EC2V 6DT**, enclosing a comprehensive CV.

**Sumitomo Finance International**

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# PORTFOLIO

## ENTERTAINMENTS GROUP

**FINANCIAL CONTROLLER**
**London** **to £45,000 + car**

▲ YOUNG COMPANY
▲ EXCEPTIONAL OPPORTUNITY
▲ COMMERCIAL ACUMEN

A business-orientated accountant is required for this major leisure company to assist the Finance Director in all financial activities.

Ideally aged 30-35 with previous commercial experience, you must have a bright lively personality coupled with an ability to use initiative and to work on your own.

Contact **Deborah Sherry** on 01-836 9501 or write enclosing CV to **Douglas Llambias Associates, 410 Strand, London WC2R 0NS** ref. FT23A.

## PROPERTY GROUP

**FINANCE MANAGER**
**North London** **£30,000 + car**

▲ ENTREPRENEURIAL BUSINESS
▲ DEMANDING ROLE
▲ FAST TRACK ACAs

A highly successful Property Group is seeking a top quality Chartered Accountant to head up the financial reporting function. Applicants should have qualified with a large firm and gained subsequent experience in a major plc. A strong, lively and creative personality is essential to join the management team.

Contact **Pippa Curtis** on 01-836 9501 ref FT23B

## MAJOR UK BANK

**INVESTMENT ANALYSTS**
**City** **Package to £30,000**

▲ NEWLY QUALIFIED ACAs
▲ LANGUAGES PREFERRED
▲ EXCELLENT PROSPECTS

A rare and exciting opportunity to join a Blue Chip organisation in an analytical role. A small amount of travel to overseas subsidiaries is an attractive feature of the position. French/German/Spanish and Italian speakers preferred although there are also opportunities for non-linguists.

Contact **Peter Green** on 01-836 9501. ref. FT23C.

## INVESTMENT BANK

**INTERNATIONAL AUDIT MANAGER**
**City** **£31,000 + car + bank benefits**

▲ EXPERIENCE IN PUBLIC PRACTICE
▲ ATTRACTIVE TRAVEL CONTENT
▲ ALL INVESTMENT PRODUCTS

A British-owned Investment Bank requires a Manager for its International Audit Department. The role encompasses responsibility for all areas of the Bank's activities, including Corporate Finance, Treasury, and Dealing, Specialised and Trade Finance and Overseas Operations. Travel content is no more than 25% and concentrates on the world's major financial centres. Full Bank benefits apply from Day 1 of employment.

Contact **Noeleen Gibson** on 01-836 9501 ref. FT23D.

## TRADING COMPANY

**FINANCIAL DIRECTOR DESIGNATE**
**London** **package to £30,000**

▲ POTENTIAL STOCK EXCHANGE LISTING
▲ INTERNATIONAL BASE
▲ COMMERCIAL

This food trading company is seeking a strong, self-starter to take on the finance function of the Company. The incumbent will also have a major involvement in the business development of the Group, as it further grows towards acquisitions and a Stock Exchange listing.

Contact **Liz Osborne** on 01-836 9501 ref. FT23E.

## FINANCIAL MANAGEMENT CONSULTANCY

**London** **to £38,000 + car**

▲ STRATEGIC
▲ INNOVATIVE

Develop new strategies, launch new products and services, improve cost and resource management, assist in making better use of technology, undertake senior level secondments – these are many of the activities you will become involved in, and many others, in this non-routine, non-IT systems orientated consultancy group. If you have *superior technical, intellectual and personal skills*, evidenced by your track record, you could benefit considerably from a career, or a period, in consultancy. Aged 28-33.

In the first instance please contact **Ian Tomlisson**, enclosing a detailed CV to **Douglas Llambias Associates, 410 Strand, London WC2R 0NS** ref. FT23F

BIRMINGHAM 021-233 4421
EDINBURGH 031-225 7744
GLASGOW 041-226 3101
LONDON 01-836 9501
MANCHESTER 061-236 1553

DOUGLAS LLAMBIAS

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# *Finance Director*

*Package c£40k including Bonus*

Does the prospect of commuting to town fill you with ever increasing gloom? How important is it to you to consider a local position with a major UK and European business?

Salisbury contains the Head Office of ColourCare International, the leading photoprocessor in the UK and Europe. Following rapid and progressive expansion over recent years a new position of Finance Director is being created with responsibility for management accounting, financial accounting, computing and credit control operations, drawing resources from the Divisional Finance Team into the UK business, which operates out of 13 major laboratories, 180 mini-laboratories, and employs in excess of 2000 people.

Applicants will be educated to degree level with an ACCA or ACMA qualification and a minimum of 5 years post qualification experience in a senior financial position in a medium to large company, and will possess a thorough knowledge of UK accounting, tax and credit practice. Commercial acumen and developed communication, interpersonal, analytical and numeracy skills in this major man management role are essential prerequisites.

In return a comprehensive benefits package, including profit related bonus, fully expensed car, and non-contributory pension will be available to the job holder for whom prospects are excellent across the business and within the parent group.

Please apply with full career details explaining how you meet the requirements to: Mr T A Page, Divisional Personnel Director, ColourCare International, Riverside House, Avon Approach, Salisbury, Wilts SP1 3SJ.

Colour Care

A member of the London International Group.

QUALITY PRINTS TO REMEMBER

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# *Divisional Finance Director*

*M4 Corridor*

*c £37,500, Bonus, Share Options, Car*

Successful growth and expansion have created a vacancy in Meggitt, a fast growing plc with interests across a broad range of advanced engineering products. The Controls and Instrumentation Division, £80m turnover, operates in the forefront of its technological field with companies in the UK, Western Europe and USA. You will be reporting to the Divisional Managing Director and heavily involved in the growth, both organically and by acquisition, of the Division. Key activities will include strategic input at Divisional Board level and day to day advice, support and guidance for a significant number of companies based at home and overseas. To succeed in this challenging environment you will need to be a pro-active Chartered Accountant, strong in both character and intellect. Future career prospects in this dynamic group are excellent.

Male or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to: *K. Townrow, Hoggett Bowers plc, 30 Queen Square, BRISTOL, BS1 4ND, 0272-298435, Fax: 0272-279714, quoting Ref: D11078/FT.*

**Hoggett Bowers**

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD, WINDSOR
A Member of Blue Arrow plc

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# RIYAD BANK

*Saudi Arabia*

## COMPUTER INSPECTORS

Riyad Bank, one of the largest and most prominent Banks in the Middle East with a network of over 150 Branches in Saudi Arabia, is offering outstanding professional opportunities for the following positions in our Inspection Department, Head Office, Riyadh:

### SENIOR INSPECTOR — COMPUTERS
BASE SALARY UP TO £50,000

Reporting directly to the Chief Inspector, this person will take responsibility for managing and further developing the Bank's Computer Inspection function. Coverage is to extend to all aspects of the Bank's existing and planned computer systems and installations and, as well as the management responsibility, the incumbent is expected to actively participate in specific Computer Inspection projects. The technological environment is advanced, with distributed processing, relational databases and extensive data communications being prime elements of the I.T. Strategy.

The position requires a broad and thorough technological background, with a minimum of 5 years in a systems environment, at least 3 years of which should have been in a systems development role. Recent exposure to IBM mainframes and related systems and access control software, and knowledge of data communications is also required. Further to this systems experience, at least 3 years in a senior computer audit position in a Banking environment is considered an essential requirement.

### INSPECTOR — COMPUTER DEVELOPMENT
BASE SALARY UP TO £40,000

To become involved in all the Bank's major computer developments, conducting reviews and inspection tests at the various development stages and advising on security, control and audit requirements. A prime responsibility will be to ensure, prior to implementation, that systems comply with the Bank's Operational Rules and Regulations.

This position requires a sound technological background and a thorough knowledge of the systems development process. The minimum requirement is for 3 years experience in a systems development environment and 2 years auditing computerized banking applications.

### INSPECTOR — SYSTEMS & INSTALLATIONS
BASE SALARY UP TO £40,000

To take responsibility for inspecting all the Bank's critical computer systems and installations, evaluating and reporting on control and security deficiencies and non-compliance with the Bank's Operational Rules and Regulations. Assignments will range from reviews of specific banking applications, such as ATMs, through to comprehensive reviews of our IBM 3090 computer installations.

This position requires a broad and thorough technological background, with a minimum of 5 years experience in a systems environment, preferably IBM based. Experience in computer operations, data centre management, systems programming and/or data communications would be advantageous. Further to this systems experience, a minimum of 2 years computer audit experience, preferably in a banking environment, is required.

### INSPECTORS — COMPUTERS
BASE SALARY UP TO £35,000

To undertake a range of duties associated with the inspection of the Bank's computing facilities. Participation in systems development reviews, production system inspections, and inspection of computer installations will be required.

Tasks will range from the review of functional and design specifications, to identify and comment on control and security deficiencies, through to the development of audit test packs and interrogation software. The environment is IBM 3090/MVS-XA with extensive use of PCs and data communications.

A number of positions exist at this level, all of which require a degree or professional level education. At least 2 years systems development experience and 18 months computer audit experience is also required. Banking experience will be a definite advantage.

*Each of the positions will include the following perquisite compensation package along with a competitive base salary:*

- *Furnished housing in Western style accommodation*
- *Transportation allowance.*
- *One month annual leave with round trip airfare for the employee and family.*
- *Medical care.*

Personal interviews with selected candidates will be held in London in April 1989. Qualifications for these positions are specific. Please do not apply if minimum requirements are not met. If you do qualify, please send your resume in confidence, including present salary to:

**MANAGER, RECRUITING (ID), RIYAD BANK**
**HEAD OFFICE, P.O. BOX 22622, RIYADH 11416, SAUDI ARABIA.**

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# ACCOUNTING CONTROLLER

**To £27,000 + Car + Bonus + Benefits**

**West London**

A world leader in the consumer goods market, our Client has demonstrated an impressive growth record in both profit and turnover. In order to achieve their objective of total dominance in world markets, the Group has pursued a policy of acquisition, both of manufacturers and distributors, as well as aggressive niche marketing of their existing household name brands.

Corporate headquarters in West London are now responsible for monitoring, controlling and directing commercial strategy and performance, and the finance function plays a key role in this process.

An Accounting Controller is now required to facilitate the growth process. Working as part of a high profile central team, responsibilities will embrace the provision and analysis of high quality and relevant management information, the development and improvement of management reporting systems, including budgeting and external reporting as well as responsibility for non-routine projects. Outstanding career prospects exist within the Group.

The ideal candidate will be aged 26-29, and a graduate with a recognised accounting qualification. Experience at the centre of a multinational is preferred. Personal attributes will include self-confidence, initiative and a high degree of self-motivation and the ability to grasp relevant business issues quickly.

Please apply directly to Richard Carter at Robert Half, Freepost, *Walter House, Bedford Street, 418 The Strand, London WC2R 0BR.* Telephone: 01-836 3545, evenings 0344 885911. Alternatively fax your details on 01-836 4942.

ROBERT HALF

Financial Recruitment Specialists
London · Birmingham · Windsor · Manchester

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## EXETER TRUST LIMITED
### Assistant to Finance Director

Exeter Trust Limited, a West Country based Commercial Mortgage Bank, is seeking a qualified accountant for the position of Assistant to the Finance Director. The successful candidate, who will be based in Exeter, will be expected to supervise the company's accounting routines and accept responsibility for company secretarial administration and compliance matters.

Applications are invited from candidates who are between 30 to 55 years of age and who can demonstrate suitable post-qualification experience. Knowledge of computerised accounts is essential, and previous experience in banking would be an advantage. Salary will be approximately £25,000 per annum., depending on age and experience, plus other benefits including pension, company car, mortgage subsidy, etc.

Applications and CV's which will be treated in the strictest confidence, should be addressed to **The Finance Director, Exeter Trust Limited, Exeter Trust House, Blackboy Road, Exeter, Devon EX4 6SE**

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**CHARTER NIGHTINGALE HOSPITAL**

**ASSISTANT FINANCIAL CONTROLLER**
**c. £20,000 plus benefits**

A vacancy has arisen for a (newly) qualified Chartered Accountant to work in a private hospital (69 beds). The hospital is American-owned and there is frequent contact with, and some travel to Head Office.

This is a key position in the hospital. The jobholder will report to both the Group Controller and the Administrator. Duties consist of:

- weekly and monthly compilation of financial data
- management of a team of six staff including Payroll
- careful monitoring of expenditure and revenue.
- assisting and advising the Administrator in financial matters

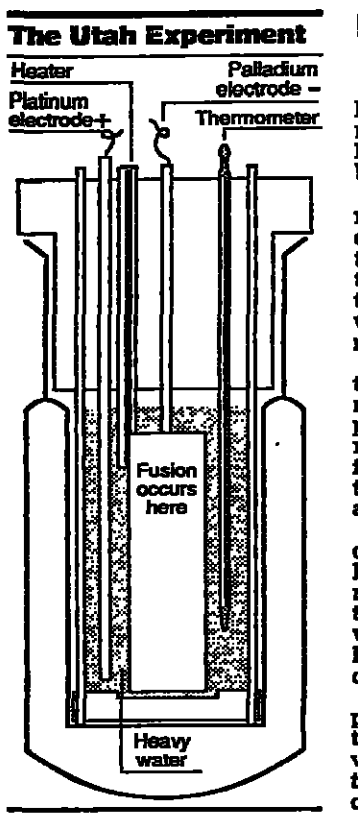
We are looking for an effective communicator with a hands-on approach who is able to work to tight deadlines. Experience in health care would be advantageous. Applications from part-qualified accountants with relevant experience will be considered.

*Please apply in writing to: -*

**The Personnel Manager**
**Charter Nightingale Hospital**
**11-19 Lisson Grove**
**London NW1 6SH**

## TECHNOLOGY

# Nuclear fusion in a test tube




This is the test tube in which Professors Martin Fleischmann and Stan Pons claim to have achieved controlled nuclear fusion, in a chemistry laboratory at the University of Utah.

If Fleischmann and Pons are right and nuclear fusion really can be carried out in a relatively simple palladium electrode, their discovery will transform the outlook for the world's energy supplies in the next century.

Unlike the fission process of the present generation of nuclear power stations, fusion power would not generate radioactive waste. And unlike fossil fuels, it would not contribute to the greenhouse effect and acid rain.

In the Utah experiment, a current passes between the palladium electrode and a platinum anode in an insulated tube full of heavy water. Heavy water contains deuterium, the heavy isotope of hydrogen, and occurs naturally in sea water.

What happens is that the palladium electrode in the centre of the cell absorbs a large volume of deuterium. Under the influence of the electric current, the deuterium nuclei are squeezed so tightly that some of them fuse together.

Fleischmann says that to achieve the same effect by compressing deuterium gas, the pressure would have to exceed a thousand million million million atmospheres (10 to the power of 27 atmospheres).

The two scientists are convinced that they have achieved nuclear fusion, rather than a conventional chemical reaction, because very large amounts of heat are released and because some of the expected products of fusion – tritium, neutrons and gamma rays – are formed. Even so, it is not clear what fusion processes are taking place.

So far the cell has operated only with heavy water containing deuterium. Fleischmann and Pons believe that if they used a mixture of deuterium and tritium, which should be more suitable for nuclear fusion, the amount of heat released would be greater still – perhaps as much as 10 kilowatts per cubic centimetre of palladium.

Such an experiment would be hazardous, however. Special containment facilities would be required.

Their work could hardly be more of a contrast to the large government-funded nuclear research projects which are trying to achieve fusion by heating gases above 100m deg C. Although some governments are becoming impatient with the apparently slow progress towards a commercial fusion reactor, world-wide expenditure on fusion research exceeds $1bn (£580m) a year.

The most advanced fusion project is the Joint European Torus (JET) in Culham, Oxfordshire, which receives £75m-a-year funding from 14 European governments. Half way through a 10-year experimental programme, JET has achieved most of the technical goals set for it.

Scientists at JET have learnt how to confine a hot "plasma" of deuterium inside a dough-nut-shaped reactor, using an extremely sophisticated series of magnets. But they are not expected to produce the conditions necessary for fusion until 1992.

Even then, it is not clear whether JET will achieve the "break even" state, in which the energy produced by the nuclear reaction exceeds the energy spent heating up the reactor. Fleischmann and Pons say that their experiment is comfortably in credit.

The idea for the experiment originated in the late 1960s, when Fleischmann carried out research on the separation of hydrogen isotopes in a palladium electrode. The results were rather "odd" and suggested to him that nuclear reactions might be induced in an electrode. Pons reached similar conclusions during his research in the 1970s.

The two men discussed ways of testing the idea while they were working together at the University of Southampton, in the UK, and later at the University of Utah. "Stan and I often talk of doing insane experiments," says Fleischmann. "We each have a good track record of getting impossible experiments to work. In this case, the stakes were so high that we just had to try out the idea."

Supplies of raw materials for fusion are inexhaustible. The fusion energy released from the deuterium contained in one cubic foot of sea water would be the same as that produced by burning 10 tons of coal.

**Clive Cookson**

# Costly mistake spawns a corrosion monitor

The very corrosion problem which once caused steel bolts in Britain's early nuclear power stations to snap like Brighton rock is now being used to monitor corrosion rates.

A small specialist company in Sussex, called Cormon, has turned a costly mistake of the electricity industry into a convenient way of following the progress of corrosion, for example that caused by acid rain to the stonework of historic buildings.

The story begins in the late 1960s when a nuclear industry laboratory – studying the behaviour of Magnox reactor materials in hot, high-pressure carbon dioxide gas – discovered that the basic structural material, a silicon steel, was more susceptible to corrosion than had been expected. This steel had been widely used throughout the reactor, including for the "corsets" that held the graphite core together.

The alarming discovery was confirmed by examining the Bradwell reactors, the first commercial nuclear reactors in Britain, where it was found that bolts had already snapped.

Restrictions were placed on the operating temperature of most of the Magnox reactors, leading to a cumulative loss of about 1,500 megawatts (MW) of generating capacity. It was found that the bolts were much more likely to break when they had been packed with many washers. What had happened was that each face of each washer built up a thick film of oxide, harder than ordinary rust.

Where several washers were screwed together the forces exerted were enormous; the "jacking stress" on the bolt could easily exceed its tensile strength.

The same jacking phenomenon was held responsible for the break-up of structural stonework at St Paul's Cathedral, in London, where the corrosion of iron clamps used to retain the Portland stone blocks produced a voluminous rust, which burst the stone.

In the mid 1980s, corrosion scientists with the Central Electricity Research Laboratories, at Leatherhead in Surrey, were looking into the breakage of steel reinforcing pins in insulators on some overhead power lines. They wanted a convenient way to monitor the corrosion rate continuously. The method needed to show how the rate varied with changing geographic, atmospheric and other conditions.

The scientists, lead by Michael Manning, had the idea of using stacks of washers strung along a bolt as an amplifier of the corrosion process. The team could follow the corrosion rate by measuring the jacking stress. It was found that most metals corroded to produce a more voluminous corrosion product.

A stack of 100 washers – corrosion coupons of the material being studied – strung on a steel bolt provided a highly sensitive method of following the progress of corrosion. The scientists used it to map patterns of corrosion on overhead transmission towers and in the steel reinforcement of overhead cables. The electricity laboratories patented the idea, then licensed it to Cormon last year.

Using the patented stack of coupons, Cormon, based in Lancing, has designed an electronic instrument that records the micro-movements of the stack hourly. "We can even tell you when it rained," says David Short, managing director. He founded the company five years ago to tackle expensive corrosion problems in the aircraft, nuclear and engineering industries.

The Cormon instrument can easily be mounted at the site of the corrosion – high on a transmission tower or on a North Sea oil platform, for instance.

The recorder is a microprocessor chip with enough memory to register hourly readings for 2.5 years. It can be replaced at intervals and "dumped" into an analyser in the laboratory.

Corrosion can be a costly disease for many industries. Short cites US Air Force assertions that corrosion adds $1bn (£580m) a year to its operating costs. The oil and gas industries worldwide reckon it costs them £10m a year just to monitor corrosion.

But many industries react oddly to the corrosion problem, behaving as though it were an anti-social disease and denying that they ever suffer from it, Short says.

At one time the process plant industry just added extra thickness of metal – a "corrosion allowance" – in the expectation that some would corrode away, says Joe Hafke, commercial director, who joined Cormon from FKI Babcock. The growing complexity of plant and stringent safety standards, particularly in the nuclear industry, put paid to that practice.

Short says that client industries can afford to scatter the £500 units widely, especially as they enable a saving on man-hours for monitoring.

**David Fishlock**

## A curtain that withstands fire

WORMALD UK, part of the Australian fire protection group, has developed a quick-acting, water-irrigated curtain which will withstand the spread of fire, in a corridor for example.

The curtain consists of several wide vertical strips of fire-resistant material which overlap to form a seal, but which can be parted to allow access. A steel weighting bar is threaded through the bottom hems of the strips, and the ends of the bar run down guide slots in the support frame.

Normally, the curtain is rolled up into a ceiling housing at the top of the frame. It is activated by a sensor responding to hot gases or smoke.

First, a weight is released in one of the frame's sides. As the weight descends, it turns on a water valve which starts ceiling irrigation of the curtain before it drops. The curtain can also be released manually by means of a handle.

As it falls into position, the curtain is impregnated with water from a system in the top of the frame. The water ensures a good seal, blocking both flames and smoke. If anyone passes through the curtain by parting two strips, they immediately re-seal. Thus, an exit is provided without affecting the curtain's efficiency and firemen can take a quick look to assess the fire's severity.

## Discovery of a concrete gain

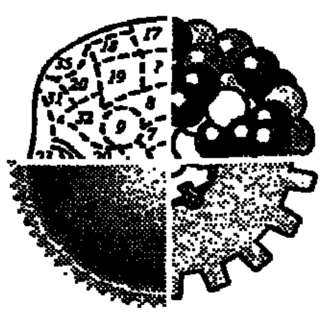
THE UK Building Research Establishment (BRE) has developed a cement that hardens rapidly, based on calcium aluminates. It avoids the problems which were associated with cements of this type in the 1970s.

The discovery was made at BRE during research into a conversion process that takes place in high alumina cements (HAC). This chemical change causes weakness and failure of concrete components made with the cements.

It was found that the conversion processes could be modified to prevent loss of strength if the HAC were mixed with ground blast-furnace slag.

The resultant HAC/slag concrete gains strength rapidly and is stable even in the hot and humid conditions which are so damaging to normal HAC.

BRE says that since the work so far has been on a small scale, more detailed assessment will be needed before the material can be considered for structural applications. It seeks partners from industry for large-scale evaluation.



## WORTH WATCHING

Edited by Geoffrey Charlish

## Access to images via a PC

A SYSTEM that allows the exact images of documents to be stored and retrieved using a personal computer is offered by Document Systems of London.

Called Infoplus, it is aimed at organisations that have to make frequent reference to original documents such as letters, photographs, drawings and invoices.

Items up to A3 size are scanned and converted into compressed digitised images that take up the minimum amount of space in the system's optical storage unit. Any image can then be retrieved from the disk in a few seconds and displayed on the screen of the IBM PC-AT personal computer.

Once an image is in the system, it can be integrated with conventional computer information.

In addition, the documents in their digital form can be sent over computer and communications networks and by fax.

## New way to apply lettering

KROY, of Scotsdale in Arizona, has introduced software and a printer which allows personal computer users to create high quality characters and symbols on adhesive-backed tape.

The characters can be used on reports, graphics, artwork, maps and wherever else lettering is applied to paper or to an object.

Software called LetterCrafter allows the IBM-PC, or a compatible model, to control a Kroy 360PC thermal transfer printer to produce a wide variety of typefaces and sizes. Bar codes can also be produced from the PC keyboard. Menus and guidance are provided on the screen.

The printer operates at 25 characters a second and at a resolution (clarity) of 300 dots per inch.

Different colours are produced by changing the printer ribbon cartridge and the tape is also available in various colours.

## Economical way of welding

A MEANS of reducing both welding time and the consumption of the expensive inert gas used inside piping when lengths are being welded together has been introduced by Huntingdon Fusion Techniques of the UK.

Called Argweld, the system uses two inflatable bags connected by coaxial tubing.

The bags are placed inside the two sections of pipe to be welded – each bag is equidistant from the butted pipe ends. Both are pumped up by the inner tube to seal off the sections from the outside.

Then inert gas, often argon, is introduced via an opening in the outer tube to fill the gap between the bags. As the inert gas is fed into the space, it displaces the air through the fine gap between the butted pipes.

An initial gas flow rate of 10 litres/min can soon be reduced to about two litres/min and an oxygen monitor indicates when welding can start.

The company says welders currently use makeshift bungs and consume much time and gas before and during welding. With 800 mm pipe, Argweld can pay for itself after only one weld.

CONTACTS: Wormald: UK, 081 205 2321. BRE: UK, 0923 894040. Document Systems: London, 351 7666. Kroy: US, (602) 948 2222. Huntingdon Fusion Techniques: UK, 0480 412432.

ARTS

# Tortelier at 75

**FESTIVAL HALL**

Over the enthusiastic applause of a capacity Festival Hall audience, it was difficult to hear exactly what the orchestra was playing as Paul Tortelier made his entrance. Initial fanfares had suggested it might be the National Anthem and only in the final line, by which time it was too late to join in, did the realisation dawn that it was a chorus of "Happy Birthday."

This was a special evening to celebrate Tortelier's 75 years. A party atmosphere had clearly been orchestrated in advance, since the invitees included several cellists and not a few Torteliers, who shared the platform. In each item a different combination of the guests was brought together, culminating in a jokey set of Paganini variations for which two of the Torteliers — Maud (wife) and Paul (husband) — were joined by Mstislav Rostropovich.

Party tricks apart, however, there were also two serious concertos on the programme. The first was the Saint-Saëns *Concerto in A Minor*, played with style, if not quite the technical sleight of hand that makes each harmonic or scalic passage a feature of delight in itself. Still, if any of the students from the cellist's many master-classes were present, they will have had an object-lesson in exactly where and how to place a portamento.

Similarly, in the Elgar Cello Concerto it was the simple eloquence of the slow movement that was the most telling. This has long been a work that Tortelier has held in his repertoire and he knows how to make its singing lines tell without trying to squeeze excessively overt emotion from Elgar at his most reticent. By this point the baton had been passed to another Tortelier, Yan Pascal (son), whom the Royal Philharmonic rewarded with exemplary playing.

After the Elgar no more was necessary. But we were, in effect, given one compulsory encore in the guise of Tortelier's own duet for two cellos, *Alla Maud*, played not in the company of his wife, as he does in recitals, but with Rostropovich. With its old-fashioned sentiment and family connections, perhaps this bitter-sweet waltz did, after all, sum up the flavour of the evening.

**Richard Fairman**

# St John Passion

**ST LUKE'S, CHELSEA**

Not, this time, according to Bach, but according to the Estonian composer Arvo Pärt, who looks sternly back past Bach to medieval music and chant. On Tuesday, his 1981 *Passio domini nostri Jesu Christi secundum Joannem* was performed in St. Luke's with rigorous objectivity by the Hilliard Ensemble, who are notable Pärt exponents. Paul Hillier conducted his regular team of solo voices, with the addition of Richard Jackson as Jesus — who was unwell, with a consequent husky timbre that proved affectingly expressive, possibly beyond what Pärt might approve. Beyond those, only modest forces were required: organ (Christopher Bowers-Broadbent), a *concertante* quartet and the Western Wind Choir.

All of Part's music is stripped down to the bone, but the hour-and-a-quarter *Passion* — his longest work so far — is austere to the point of eschewing development, climax, even local colour. There are no bypaths that might lead one's attention away from the sacred Latin narrative, and to avoid any intrusion of individual feeling the role of the Evangelist is multiply sung. Pärt's tonal idiom here is as usual near-medieval, though the harmony is spiced evenly (and therefore neutrally) with added-notes; only a few choral outcries come in plain, triadic homophony. Apart from the temperate recitatives, most of the music moves with a steady, slightly rocking tread which is varied only in detail.

No doubt the *St. John Passion* rewards most those who are as devout as the composer himself. His music shares a transparent, contemplative quality with some "minimalist" scores, however, and the sizable audience at St. Luke's testified to the impression it has been making upon fans of that genre. At bottom the *inspiration is perhaps not* so very different, though "minimalist" workings-out never have the severe intensity of Pärt's. I confess to admiring *other Pärt scores* more, because they make room for musical events of such remarkable and disconcerting gravity. Not that the *Passion* is in any sense lightweight; but it is conceived strictly in the service of the liturgical text, and invites consideration only in that subservient role.

**David Murray**

# Barry's 'Bob'

**PURCELL ROOM**

London New Music's "Showcase" series in the Purcell Room aims to revive works written for the group over the last three years as well as presenting a number of premières. Michael Blake, Kevin Volans and Howard Skempton were the composers repeated on Tuesday, and the new work was a commission from Gerald Barry, a piece for two clarinets, violin, cello, marimba and piano, to which he has given the unlikely title of *Bob*.

*Barry's score is prefaced* with a quotation from Spenser's *Faerie Queen* describing the "Bowre of Blisse," and *Bob* evidently depicts some of the activities in such a bower. The depictions do not seem to me particularly programmatic, and anyone who heard his impressive Proms commission last summer, *Chevaux-de-frise*, will recognise in the jagged, tightly sprung lines and crunching tempo changes of the new work a family likeness. *Bob's* basic expressive mode is unbounded exuberance, with frantic figures for the two clarinets tightly laced together and doubled or underpinned at various junctures with the remaining instruments, though sometimes the gear shifts and the music lurches into a gig or lop-sided waltz.

All of Barry's music demands first-rate, bravura performance, and London New Music's account went awry too often for comfort; in safer hands it should be exhilarating. For the rest, Volans's *Into Darkness* was the most intriguing of the revivals — two movements slotted together with bold confidence in the first and ever more halting continuity in the second, a discomfiting progression — and Ian Stuart's performance of Stockhausen's *In Freundschaft* for solo clarinet the most arresting. Stuart had a double handicap to overcome: one of Stockhausen's more extravagant pieces of note-spinning, and the endemic Purcell Room hum, which tends to overwhelm anything played below *mezzo forte*.

**Andrew Clements**

# Songmakers' Mussorgsky

**WIGMORE HALL**

Modest Mussorgsky was born 150 years ago yesterday. The Songmakers' Almanac used the anniversary handle for Tuesday night's Mussorgsky portrait in song and speech — a typical Songmakers' semi-animated history lesson with a few laughs relieved by some devoted and well-studied song performances. The formula is one I continue to have some difficulty swallowing, but the audience seems as numerous and well-pleased as ever, so obviously it retains a popular appeal.

A picture of the composer — shading in the sensitive and wild sides of his personality, the extreme (though not always clearly explained) appetite for truthfulness of vision, the spiralling self-destructiveness — did emerge, above all because the chain of songs had been forged to link up biography and character. The unfamiliar early songs (such as the little "Child's Song" which opened the recital) were particularly revealing: in his art Mussorgsky seems always to have been himself even when most affected by youthful influences and impressions. It's always a moving experience to be reminded of his momentous originality, in whatever form the reminder may come.

Mr Johnson's playing of all the piano parts was, as ever, sympathetic, knowledgeable, purposeful. Sometimes one wanted a harder edge to the rhythms, a greater pressure of accent on the phrasing: alike over the performances of pianist and singers (Carol Smith, Susan Bickley, Philip Langridge, Stephen Richardson, a cultivated, musicianly team) there sometimes hung a faint air of Anglo-Saxon good manners. Mr Langridge's delivery of the language had the greatest idiomatic freedom of inflexion; in two rousing mature songs, "On the Dnieper" and the fourth of the *Songs and Dances of Death*, he flung out the lines with exactly the naked power in short supply elsewhere.

**Max Loppert**

CINEMA

# 'The Red Shoes' for ivory pounders

MADAM SOUSATZKA
John Schlesinger

WALKER
Alan Cox

SWEET HEARTS DANCE
Robert Greenwald

IRON EAGLE II
Sidney J. Furie

Navin Chowdhry and Shirley Maclaine in "Madame Sousatzka"

"I teach not only how to play the piano but how to live!" proclaims Shirley MacLaine as *Madame Sousatzka* in John Schlesinger's film of that title.

Ah yes: the batty piano teacher. Which of us has not met such a lady? In flowing Slavic dress, with nerves and hair akimbo, she sighs voluminous sighs, paces the carpet and bangs her bangled wrist to her brow when you hit a wrong note. Between *practice sessions she rewards you* with a chocolate bikkie or with memories of the great: "Rubinstein! I sat on his lap." But woe betide you if you cross her. Play truant or fall in love or be tempted away by a "career," and she will scream with pique or retreat into the long nuclear winter of a sulk.

Shirley MacLaine plays the title heroine as if designed by Jules Feiffer and *animated by the dead spirit of* Eleanora Duse. Scripted by Schlesinger and Ruth Prawer Jhabvala from a novel by Bernice Rubens, *Madame Sousatzka* is sentimental, grandly gesturing tosh from a director who when not making quite good films (*Midnight Cowboy, Yanks*) can make quite bad ones (*Far From The Madding Crowd, Honky Tonk Freeway*).

At heart, *Madame Sousatzka* is *The Red Shoes* for ivory-pounders. Here you will learn how a gifted 16-year-old Indian boy living in London (Navin Chowdhry) falls into the musical clutches of Mad Shirley. How Mad Shirley gets on, or does not get on, with her apartment-house neighbours: including landlady Peggy Ashcroft, gay osteopath Geoffrey Bayldon and model Twiggy. How the crumbling old house is going to be torn down by nasty developers. And how young Master Chowdry will finally desert Madame S for the bright lights of the concert hall.

What you will not learn is why Schlesinger chose to make this movie. It seems time-warped in the 1950s or earlier. *Long before the five-handkerchief finale*, when Mad Shirl appears brimming-eyed at the boy's baptismal concert just when we thought she would never forgive him, the film's techniques seem antediluvian. (Gasp at the slinky jazz strains, circa 1955, that accompany our first view of *Twiggy as a pair of Technicolor legs*, circa 1952, emerging from a Rank-era taxi.)

Best scenes are those with Indian star Shabana Azmi as the boy's mother: locked in battle with *La Sousatzka*, or sticky-fingered as she prepares her made-for-supermarkets samosas, or supine with her sari'd chums as they goggle at daytime TV. Here a sense of localised human reality breaks into a film whose ersatz London and ersatz emotions suggest a bid to capture the world market by being floridly imprecise about places, people and feelings. *Madame Sousatzka* is a movie-novelette masquerading as big-screen international cinema.

★

*Walker* is an uproarious anti-epic from British director Alex Cox, of *Sid And Nancy* and *Straight To Hell*. Made in Nicaragua for a modest $5m, the film resembles a Martini commercial caught in a combine harvester. Amid cameraman David Bridges' stylishly inchoate images, Cox and screenwriter Rudy Wurlitzer relate *the strange, true tale of William* Walker (Ed Harris). Walker, last impersonated by Marlon Brando in *Queimada*, was the American adventurer who in 1855, with a 58-man army, invaded Nicaragua in the name of the USA.

This dotty enterprise was blessed and bankrolled by *Cornelius Vanderbilt*, here played by Peter Boyle like Humpty Dumpty with sunstroke. Also waving off our hero early on is Oscar-winning deaf-mute Marlee Matlin (*Children Of A Lesser God*) as his girlfriend Ellen. She disappears after 15 minutes — perhaps her contract ran out — and so, once we hit Central America, does most of the movie's sense of direction.

But what matter? The milestones and landmarks are vastly enjoyable in their own right. "We're liberating the country for democracy" proclaims Walker early on. "How very peculiar," says a passing English painter, "you must be Americans." Soon Walker is imposing the American way — "God, science and hygiene" — on anyone who will stand still and listen. (Everyone else is shot.) His single-mindedness becomes evident when he has his brother, suspected of disloyalty, executed ("Mother never liked you anyway"). And finally he is helicoptered out by an embarrassed US government, exclaiming as he goes "We will never leave Nicaragua alone." We get the irony.

Historical hindsight shakes hands with haywire anachronism. As well as the helicopter, we have a motor car, Marlboro cigarettes and copies of Time and Newsweek. *Walker* is a spiritual companion piece to Herzog's *Cobra Verde*: a colonial tragicomedy which *portrays history not as an* august unfolding of destiny but as a black farce in which men obey the random dictates of greed, machismo and idiot idealism. Like Herzog's hero, *Cox's Walker* is last seen as a piece of sea-washed flotsam on a far-flung shoreline. However grand our schemes, says the film, we all end up as human litter on the littoral of history. *Walker* is erratic, messy and often jejune: it is also full of a gleaming, dissident energy. See and enjoy.

★

*Sweet Hearts Dance* is a glorified TV movie with ideas above any of its possible stations. Commercial breaks would certainly be welcome as we maunder on through the Vermont-set tale of Wiley (Don Johnson), his wife Sandra (Susan Sarandon), with whom he is breaking up, and his friend from schooldays Sam (Jeff Daniels), who is falling in love for the first time, with Elizabeth Perkins of *Big*.

*Terms Of Endearment*, meet *The Four Seasons*. And do you both know *On Golden Pond*? The author of the last-named Kleenex-opera, Ernest Thompson, penned this equally resistible tale of buddy love and married love, acted for more than it is worth by its three stars. The film's only intriguing oddity occurs late on. When Sarandon and Johnson make plans for a reconciliation trip to the Caribbean, no one, including director Robert Greenwald, seems to have normalised their pronunciation. Sarandon keeps saying "Ca-RIBB-ean." Johnson says "Carib-BEE-an." The solution should have been clear: call the whole thing off.

You may certainly call off any visit to *Iron Eagle II*, directed and co-written by Sidney J. Furie. American and Soviet fighter-planes join forces to knock out a Middle East nuclear silo. The result: *glasnost* for the deaf. Ear-splitting aerial hardware vies with a non-stop rock track. The only winner is the Earplug Marketing Board.

★

The BAFTA awards have been and gone once more: that annual beanfeast at which the British film industry congratulates itself, with brief acknowledgements to the rest of the world.

Once more it was a night of solemn glitter. Once more, half the prizes seemed like action re-plays of previous years. (It used to be Denholm Elliott every year. Now it is John Cleese and/or Maggie Smith.) Once more, with baffling logic, a group of movies passed over for Best Foreign Film were later lined up for Best Film. And once more, a work that should have been deluged with awards went prizeless, probably because *it did not make millions at* the box office.

I refer to Terence Davies's *Distant Voices, Still Lives*, the best British film of the decade and one that was engulfed with festival prizes in 1988. Who *were* the BAFTA judges who failed to nominate this? What is their combined IQ? Do they know a good film when they fall over one? And will they be empanelled again next year? If so, I shall start filling in my emigration forms now.

In the meantime I am willing to take your votes for the 1990 BAFTA prizes. The initial favourites are already declaring themselves and are as follows. Best film: *A Fish Called Wanda II*. Best director: John Cleese. Best actor: John Cleese. Best actress: John Cleese and Maggie Smith (ex aequo). Best Ealing veteran: Charles Crichton. Most promising newcomer: John Cleese. Sir Richard Attenborough award: Sir David Attenborough. Sir David Attenborough award: Sir Richard Attenborough. Special prize for services to the British film industry: Sir John Cleese. And now I am afraid we are overrunning, even though I did ask everyone to keep their speeches short. Good night. See you all next year.

**Nigel Andrews**

# The Way of the World

**YOUNG VIC**

Bill Pryde's régime with the Cambridge Theatre Company launches into a mellifluous swansong with his immensely enjoyable production of Congreve's comedy of marriage, property and — coolly kept in its proper place — love. The CTC's repertoire has been wide: ancient, modern and, trickiest of all, in-between, from Middleton to Pinter by way of such forgotten staples of the repertory as Mr Pryde's final production, scheduled for Cambridge (not, alas, London): *The Late Christopher Bean*.

Meanwhile, this clear, linear but warm-hearted version of the Restoration comedy *par excellence*, while free of the swish and archness we find in stellar casts, astonishingly underlines how many streets ahead Congreve was. Time and again the rhythms and speech *patterns lull us into thinking* that we are listening to Wilde ("I've always taken blushing as a sign of guilt or ill-breeding"; the respective virtues of curling one's hair with paper bearing prose or poetry).

The sexual jokes leave no doubt that real sex, not mere pirouetting, underlines the characters' *affairs*; this perhaps explains Millamant's carefully distanced acquiescence to Mirabell's wooing, her early-feminist conditions to their union: *a chatell (like* foolish Lady Wishfort delivering herself and her daughter's into the hands of predators) desperately marking out what little territory she has.

Susan Brown's Millamant brims over with love even while bargaining for her limited freedom; her refusal to be kind is positively joyful. This couple will be happy, one feels, however much one has doubted it in other productions. The rest of the cast is as consistently good as I have seen from CTC, from Isabelle Amyes, making a stylish point as Mrs Fainall to the pert and positive little codling that Angela Curran makes of below-stairs femininity.

Eleanor Summerfield's Lady Wishfort shows a touch of the Maggie Smiths a decade or so on. Her hands have a life of their own: solicitous starfish hovering, fluttering, thinking better of it and retreating. Her comic aim is spot-on, her facial *expressions beautifully timed* and judged. At times the effect was slightly small-scale (it would work perfectly on television) but her comedic gifts are considerable.

As they are with Peter Gordon's rustic squire, Sir Wilfull Witwould, the bumpkin ancestor of Tony Lumpkin and Bob Acres. Both comic roughness and good nature are there, though Mr Gordon looks far too mature for the role. No such problems with Kevin *Elyot brilliantly restrained* Petulant, a powdered fop with a red mouth set in a thin, wide line of disgruntlement, scorn or disapproval, and with blue-shadowed hooded eyes, all fastidious melancholy in their toad-like blinking: a blend of *Nigel Lawson and Pierre* Mendès-France.

Poppy Mitchell's spare set, free-standing door-frames and pieces of furniture on a revolve, backed by porticoed double-doors sums up the solid values set in a flexible framework that make the production so pleasurable.

Susan Brown and Glyn Grain

**Martin Hoyle**

# Love Games

**DERBY PLAYHOUSE**

Arthur Schnitzler's *Liebelei*, billed here as *Love Games* in a translation by Charles Osborne, is such a good play, its substance so relative to the way we live now, that it is strange not to see it done more often. It calls for a modest cast and two modest sets, and the fine Derby production under Susan Todd shows what a *powerful emotion can be generated* by its simple story.

Fritz and Theodor, young Viennese aristocrats, amuse themselves with two working girls, Mitzi and Christine, never believing that the girls take their games more seriously than they do themselves. Two small mishaps upset the simple course of their diversion. Fritz, who has been playing more earnestly with the wife of a friend of his own class, is called out to meet the betrayed husband in a duel. And Christine has fallen honestly in love with him.

There is not much more to it than that. The play's merit derives from the clever detail *in which Schnitzler, who was a* doctor and an intimate of Freud, presents the lives and emotions of the thoughtless young men and the two girls — Mitzi who will go along with anything, and Christine, the basic, naive *süsse Mädel* who thinks others as honest as she.

When I called the play relative to our own time, I was referring to only half the moral. The class difference between the men and the girls is of little importance in our age. Today's relevance is the ease with which the young are overwhelmed by imagined superiority, by such superficial importance as these two found in Hussars and today's equivalents in pop-stars and TV "celebrities." This, and and the neglect of the dangers into which easy familiarity can lead, matter as much now as they did in Vienna in 1894.

The two sets designed by Anthony Ward are of great simplicity, nothing there that doesn't have to be, but if it is there, of the right quality. (Each has a transparent upstage wall, through which we see the adjoining room when Nick Beadle's lighting is suitably adjusted.) The little party in Fritz's apartment is pretty harmless by today's standards (their star wine seems to be sherry). It begins effectively in the middle, with a forecast to the challenge we know will come. *Ian Fitzgibbon* displays Fritz's weakness; it is David Westhead's Theodor that takes the lead in everything.

These two excellent performances are met by fine playing from the girls, Joy Blakeman's *sophisticated Mitzi, Jane* Williams's Christine, out of her class, simple and easily led. Christine lives with her father, an orchestral violinist, and his little bust of Schubert is the only concession to indulgence. Christopher Wilkinson plays him with sternness and weakness in his attitude, but cuts the weakness when he doubles as the bringer of the challenge.

There is a sympathetic performance too by Mary McCusker, as a neighbour. Such a good production could do without its "frawlein" and "frowlein."

**B.A. Young**

# Spring Loaded

**THE PLACE**

Post-modern dance, new dance, small-scale modern-dance, what you will . . . For ten years now the Dance Umbrella festival has been one forum for this area of activity. Since 1987 the Spring Loaded season at The Place has been another. A Spring Loaded season is composed largely of one-night stands by a succession of groups. And it makes us particularly aware of the work that's been emerging in the 1980s from the various modern-dance-based dance colleges and courses.

This year, for example, there were performances by the Laban Centre's Advanced Performance Group, Transitions, by several groups whose work once began at the same institution — namely, the Cholmondeleys, the Featherstonehaughs, Adventures in Motion Pictures, David Massingham Dance and Geographical Duvet — and of work by two current Laban Centre teachers, Karen Greenhough and Dale Thomson. Another component of the season was a week of Netherlands dance, *Going Dutch*.

I was busy this February attending dance and non-dance performances elsewhere and so only caught five — no doubt thoroughly unrepresentative — evenings from this six-week season. The first of these, the Cholmondeleys and Featherstonehaughs in *Flag* at the Queen Elizabeth Hall, Clement Crisp has already reviewed. The others — a double bill of Caroline Salem and Vimmin; Beppie Blankaert; Transitions; Yolande Snaith; Divas — were, predictably, wildly variable; and there is only one of them, Yolande Snaith, that I have much desire to speak of.

Snaith is an absurdist, a clever and theatrical absurdist, with wit, precision, a sense of history, craftsmanship and a flair for gesture. But I could say as much, I suppose, of some of the other choreographers whose works I saw at the Place. What makes Snaith a serious and entertaining artist is that she keeps her work on the move, keeps varying its rhythm and dynamics — keeps you entertained. This needs good performing. Her recent *The Hunt* for Leicester Polytechnic students was for the most part more fun as idea than as dance. But *Lessons in Social Skills*, a duet presented *at the Place with Kathy Crick*, was as oddly delicious to experience as to contemplate. In it, texts from *The Young Ladies' Journal 1865*, recited in unison or canon by the two women while in motion, became the premise for a series of riveting, daft, affecting, theatrical ideas.

"Now, the child cannot too soon be taught that the world is not all toffee," they chanted. And in one episode, they moved with the strict, self-punitive zeal of tight-buttoned Puritan matrons. ("For the buds are but the germs of vices.") In another, they were kids in period romper suits, raiding the forbidden kitchen cupboards, dividing the fruit seriously among all the crockery, filling and emptying bowls with water, earnestly competing as to who can spit a mouthful of water furthest.

What made all this marvellous was the dance sense that informed the most ordinary moves — the precision and variety of timing, the harmony of line from head to toe even in the most drolly angled poses, the sense of movement developing organically through each episode. I find that Snaith, Lea Anderson and Matthew Bourne are the most talented British choreographers to have emerged in the 1980s outside the major dance companies.

Brief notes on the other performances I saw. In vain had I hoped for fun feminism from groups called Vimmin and Divas. Vimmin turned out to be three girls in a succession of well-intentioned, clearly-organised, mild risks that seemed made more to meet the formal requirements of some choreography teacher's assignment than any original expressive intention.

In the work of Bill Cowie and Liz Aggiss for Divas, well-researched German expressionist satire has been selected with a coarse palate and machine-like repetition. What might have been mordant and neatly-made satire of masculine and feminine conventions was bludgeoningly hammered and *over-extended to a Procrustean death*. The Dutch Beppie Blankaert, with *Melodie*, disappointed all those who had enthused about her *Doublespoor* two years ago; her skill is surely more to do with theatrical and scenic effects than movement itself, and in this case the mixture was thin fare.

It would seem obvious to present student performers in dances that brought out the best in their dancing, and so I was sorry that the initially attractive impression made by Transitions was then eroded by the self-brutalising material of Claude Brumachon's choreography and the brutish antics of David Dorfman's. But all this is par for the course. If the Spring Loaded season produced nothing remarkable but Snaith's *Lessons in Social Skills*, it would still have served its purpose.

**Alastair Macaulay**

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telex: 8954871 Fax: 01-236 9764/5 Telephone: 01-248 8000
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# Israel and the PLO

ISRAEL, SAYS Mr Yitzhak Shamir, will never negotiate with the Palestine Liberation Organisation (PLO). With that word "never", the Prime Minister is painting his country into a corner.

There is no reason to doubt his sincerity in branding the PLO an unreformed terrorist organisation still committed to Israel's destruction, and little reason to expect him to change his views. But the number of authoritative voices arguing precisely the opposite – that since last November's meeting of the Palestine National Council in Algiers, Mr Yassir Arafat's movement has managed to articulate a genuine transformation and that it is now intent on peaceful coexistence alongside the Jewish state – is becoming hard to ignore.

Within Israel, the left of the Labour party is now calling clearly for talks with the PLO; the country's leading foreign policy think-tank has just published a report stating that no settlement of the Arab-Israeli conflict is possible without such a dialogue, and that Israel may eventually have to accept some form of Palestinian state in the West Bank and Gaza Strip; and the Government's own military intelligence chief is widely reported to have told the cabinet that it will inevitably have to talk to the PLO if it wants to end the Palestinian uprising in the occupied territories.

Just as seriously for Mr Shamir, his American allies have refused to be swayed from pursuing their newly-launched contacts with the PLO, and Mr James Baker, the Secretary of State, has tentatively but calculatingly put out word that he believes Israel may in the end have to follow suit.

### Uncomfortable days

All this presents the Israeli Prime Minister with the prospect of an uncomfortable few days in Washington early next month. President George Bush has asked Mr Shamir to take to the White House "new ideas" for advancing the Middle East peace process. But there is still no sign of the fresh initiative he has promised, and such gestures as he has indicated he is considering lack both political and personal credibility.

Having opposed the Camp David accords with Egypt when they were signed in 1978, he and Mr Moshe Arens, his Foreign Minister, are now enthusiastic advocates of implementing them by involving Jordan – together with non-PLO Palestinians from the occupied territories – in talks on Palestinian autonomy. But it ought by now to be clear that Egypt no longer wants anything to do with this long-abandoned process, and that King Hussein relinquished his own pretensions to negotiate on behalf of the Palestinians last summer.

### No green light

Mr Baker himself appears to be coming to accept that West Bankers and Gazans, who overwhelmingly support Mr Arafat, will not come forward without the green light from PLO headquarters in Tunis. This, needless to say, will not come in the absence of a genuine gesture from Israel towards the organisation.

The Palestinians will certainly not co-operate with any unilateral Israeli attempts to impose autonomy on them. Nor, having garnered so much international sympathy in the last 15 months, will they abandon their *intifada* without tangible political gains.

In other words, whether he likes it or not, the effect of Mr Shamir's current position is that things will continue as they are in the West Bank and Gaza. And that, as Tel Aviv University's Jaffee Centre for Strategic Studies pointed out in a recent report, will carry its own costs. They include a continuing deterioration of army morale, a further intensification of violence, political polarisation within the country, a worsening of Israel's international position and strains in its ties with the US and Western Europe.

Mr Shamir, who refused to read the Jaffee report, may claim that a volte-face on talking to the PLO would cost Israel more dearly in the long term by sowing the seed of irredentist Palestinian statehood. Many other Israelis and foreign friends of Israel believe otherwise. If the Prime Minister fails to advance credible new ideas during his visit to Washington, it will be up to the Labour party to articulate a fresh platform of its own, even if it means breaking up the fragile national unity Government and fighting new elections.

# Ulster's risky privatisation

THE THATCHER Government's decision to return Harland and Wolff, the Belfast shipbuilders, to the private sector – the first major privatisation in Northern Ireland – was never going to be easy to implement. It is one thing trying to attract would-be buyers for a business like Short Brothers, the aerospace concern, with a £1bn order book. It is quite another trying to sell a shipyard which has nearly run out of work and has a demoralised workforce. Harland is far more than just the biggest shipyard in the UK; it is a symbol of the Northern Ireland economy. The political dimension of the decision to sell the company should not be underestimated.

Northern Ireland has few natural resources, energy and transport costs are high and its economy is unnaturally dependent on a few heavy industries, of which shipbuilding is the most famous. The arguments in favour of privatising Harlands are no longer in dispute. It has not prospered during its 14 years of Government ownership, and entry into the private sector makes considerable sense, even though there are very few examples of flourishing privately-owned shipyards in Western Europe.

However, there must be a worry that by opting for the cheapest and least controversial option – the management buyout – the Government has jeopardised Harland's long-term viability. It is a measure of the risks involved that the Government has had to provide partial backing for the performance guarantees for the new orders and the workforce has yet to endorse fully the management buyout proposals.

### Dismal record

The speed with which the sale has been conducted meant that there were never going to be many viable alternatives. Although the management had set its heart on building the world's biggest cruise ship, the $500m Ultimate Dream, Harland's dismal record in terms of productivity and cost overruns amply justified the Government's decision not to entertain this grandiose project as a basis for privatising the yard.

The other two options were more finely balanced than might seem apparent at first sight. BT Shipping, a bulk shipping group, has demonstrated its ability to raise money from the private sector and its reading of the shipping market has made investors a lot of money.

### Different view

Its proposal would have provided roughly three times as much steelwork for Harland, expanded the size of the workforce and promised to put the yard in a position whereby it could survive without any extra help apart from the normal intervention fund subsidies. It had a markedly different view from the management of the type of ships Harland should build. Whereas it had no shipbuilding experience, the yard's productivity record suggests that it might benefit from some additional outside help.

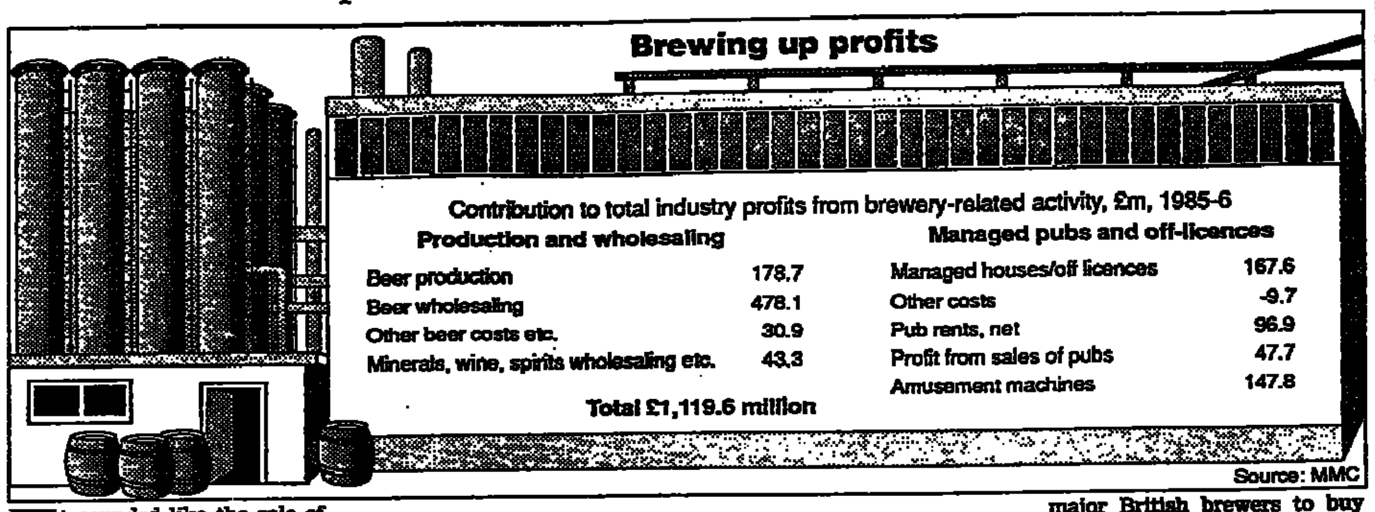
Because of the size of ships BT planned to build, its plan would have cost more initially, and there is an understandable sympathy for the present Harland management whose ability to turn the shipyard round has been harmed by Government indecision over the years.

Nevertheless, the fact is that the three orders from Mr Fred Olsen, the Norwegian shipowner, will only provide the yard with work until 1992 and the existing workforce will probably have to be slimmed down more. The hope must be that the long awaited upturn in world shipbuilding orders will have materialised by then and that the yard will be able to survive without additional support.

The Government has made its position clear. Mr Olsen now needs to explain his thinking about the outlook for Harland and Wolff after 1992, if for no other reason than that the workforce is being asked to pledge its support in return for an order for just three ships. Harlands may have been building ships for 127 years but yesterday's announcement provides no certainty that it will be building them in five years' time.

**Lisa Wood** reports on the uncertainty facing Britain's brewers

# Through a glass, darkly




Contribution to total industry profits from brewery-related activity, £m, 1985-6

| Production and wholesaling | | Managed pubs and off-licences | |
|---|---|---|---|
| Beer production | 178.7 | Managed houses/off licences | 167.6 |
| Beer wholesaling | 478.1 | Other costs | -9.7 |
| Other beer costs etc. | 30.9 | Pub rents, net | 96.9 |
| Minerals, wine, spirits wholesaling etc. | 43.3 | Profit from sales of pubs | 47.7 |
| | | Amusement machines | 147.8 |

Total £1,119.6 million

Source: MMC

It sounded like the sale of the century when the Monopolies and Mergers Commission, in its report on the British brewing industry, announced that it was recommending divestment of some 22,000 pubs by Britain's big six brewers. It was the most radical divestment ever proposed under British competition policy.

Any sentimental visions of a new breed of publican – the individual entrepreneur who would snap up a rose-covered pub to sell a vast array of brands – are likely to be speedily dispelled, however.

The reality, should Lord Young and the European Commission give this and others of the recommendations the green light, may be very far from this dream.

Britain's brewers, both large and small, have spent the two and a half years it has taken the Monopolies Commission to report thinking hard.

Yesterday, all were reluctant to discuss what action they would take should the brewers' lobbying of Government and the deliberations of the European Commission fail to win them a reprieve.

The six major brewers produce three quarters of all beer brewed in the UK and own 74 per cent of all tied houses. (These are pubs leased to tenants at non-commercial rents; in return the pub takes only the brewer's beers.)

These brewers face the most demanding choices. One man facing such a decision is Mr John McGrath, chairman of Grand Metropolitan Brewing, Britain's fourth biggest brewer. It is part of GrandMet which owns 5,393 pubs.

Mr McGrath says: "Each company will obviously come to a view as to what is best for it. Certain companies may float off their brewing interests and others may sell them. Other companies may decide to sell some or all of their pubs."

Mr John Dunsmore, senior drinks analyst of the stockbrokers County NatWest WoodMac, suggests that groups which may opt for retaining all their retailing assets would include Allied-Lyons, Grand Metropolitan and Whitbread. Such a decision would mean pulling out of brewing.

It might not be too much of a wrench, however. All these three companies have made big investments in developing their pubs as attractive retail outlets over the past years. In addition, all have the weakest brand portfolios of the major brewers. Many of their leading brands are brewed under licence from Continental or Australian brewers; this gives them little opportunity to join the fight for development of globally selling brands.

Allied, for example, brews Castlemaine XXXX which is owned by Bond Corporation of Australia. GrandMet brews Budweiser, the Anheuser-Busch brand from the US. Whitbread brews Heineken which is owned by the Dutch brewer of the same name.

Mr McGrath declined to discuss GrandMet's strategy. But, he said: "Over the last two or three years we have separated out our retailing, property and brewing activities so that we are able to spring in whatever direction we want to."

For some brewers, notably Bass, Britain's biggest brewer, the decision may be more difficult. Bass has an armoury of strong brands, including Carling Black Label. It also has the largest estate of tied houses, 7,300. It would probably plan to split the company and float apart Bass Brewing and Bass Retail.

The decision would appear to be more clear-cut for Courage, owned by Australia's Elders IXL. It would probably trim its estate of 5,100 pubs back to the Monopolies Commission ceiling of 2,000, and concentrate on developing its beers – including Foster's, for which it has world ambitions.

If this is how the big brewers decide, only 3,400 pubs would be forcibly released on a market which last year turned over more than 1,000. "You won't be able to buy pubs at 10 a penny," says Mr Michael Cannon, chairman of Devenish, one of the fastest and most dynamic regional brewers.

Devenish believes there would be some opportunities for regional companies to buy new outlets, but it would not be the large-scale auction suggested in the Monopolies Commission report.

Those brewers which decide to shift to retailing only would face no ceiling on the number of licensed outlets they could own. So the nationally distributed beer groups that take this route may fine-tune their estates in order to concentrate on the most profitable outlets. These tend to be the biggest pubs which they manage themselves, rather than leasing out to tenants.

Such an approach would lead them to sell smaller pubs, often those in rural areas. GrandMet has already taken this route, to a limited extent. It has sold some 800 of its smaller pubs over the past 12 months. Purchasers include Control Securities, the property and leisure group, which owns 544 pubs and the Belhaven Brewery.

Mr Nazmu Virani, head of Control Securities, said yesterday he was hoping to exploit the situation and grow his estate of pubs at advantageous prices.

He disputed the idea that some of Britain's major brewers would find it easy to dispose of their brewing activities in order to build up their property assets.

"Who will buy the breweries now that it will become more difficult to determine where beer brands will find outlets?" asked Mr Virani.

That question is given more force in the light of Elders IXL's aborted £1.6bn bid for Scottish & Newcastle Breweries which was blocked by the Monopolies Commission this week.

Elders, which owns Courage, had argued that it needed to acquire S & N to compete against Bass, which sells about 21 per cent of all the beer in Britain. The Commission disagreed, and blocked the bid. It now looks likely that the UK competition authorities will not allow any of the other five major British brewers to buy each other.

Potential purchasers of brewing assets would therefore have to be companies that do not have big UK breweries. The most likely candidates are foreign drinks companies. Bond Corporation, keen to see Britain used as a springboard for developing its Castlemaine XXXX lager brand on the Continent, has already built an 11 per cent stake in Allied.

The list of possible purchasers is long. It includes Heineken, Carlsberg, BSN, Anheuser-Busch, Miller, Labatts, Kirin and Suntory. For many of these brewers the major impediment, in the past, to buying into the UK market was that they did not want the pubs.

Now they may wish to acquire their UK licensees. Mr Peter Jarvis, chief executive of Whitbread, which brews Heineken under licence, says: "It is hard to generalise, but a foreign brand owner whose brand is already sold here would be keen not to play around to the detriment of that brand."

Mr McGrath thinks there will be plenty of buyers for brewing assets. "If there is a separation between property and brewing as a result of this report a lot of world players would be interested in getting a slice of the action. Breweries would be a relatively scare asset."

If the Monopolies Commission's report is put into effect, however, brewing operations could quickly become less profitable. Margins on beer sold to tied tenants – who would now be a much reduced band – are up to three times higher than on that sold to the free trade. And all remaining tied houses, would have the right to sell a "guest beer" of the tenant's choice. This will offer extra opportunities for strong brands – Bass is already visiting tenants of regional brewers to offer them its big-name products – but will weaken the position of brewers who do not possess them. Into this category fall many of the regional brewers. They will not be affected by the proposed 2,000-pub ceiling, because they all have fewer than this number. Indeed, they may be eager purchasers of any pubs sold by the big brewers. None the less, they will run the risk of losing volume in their tied houses to guest beers.

The boardrooms of Britain's brewers were yesterday thrashing out these arguments. Action may come much more quickly than the three year time limit imposed by the Monopolies Commission.

*BOOK REVIEW*

# Treasury flag still flies high

THE TREASURY UNDER MRS THATCHER
by Leo Pliatzky
*Oxford University Press, £25*

Anyone expecting some devastating revelation about Thatcherism will be disappointed by Sir Leo Pliatzky's new book. But a reader who wants a good, simple authoritative account of how decisions are made on the allocation of the two-fifths of the national income still spent or allocated by the Government will more than get his money's worth from the author, who was himself responsible for pushing through many innovations in this area in the 1970s – long before there was any duress from the International Monetary Fund.

For good measure there is an account of the relations between the Prime Minister, Chancellor, Treasury Permanent Secretary, Cabinet Secretary and others, which makes it clear that, for all the sound and fury, things are recognisably the same under Mrs Thatcher as under Harold Wilson and James Callaghan.

Civil servants are still not expected to agree with government policies, but they "are expected to deliver them." If bright Treasury stars have left for the City, financial rewards are at least a factor. It is true that senior officials may not like to receive politically unacceptable advice from their juniors. But 'twas ever thus. If Nigel Lawson has been known to send back charts for redrawing, he was after all once features editor of the Financial Times.

So far from having its wings clipped under Mrs Thatcher, the Treasury has seen off most of the challenges to its authority of earlier years. The main exception has been the Prime Minister's Policy Unit, which together with a few personal advisers has never numbered more than 15-20 people and is tiny compared with the staffs of prime ministers in other countries.

The present Prime Minister's habit of bypassing the normal Cabinet committees with ad hoc groups was frequently resorted to by Harold Wilson, who called these groups "Misc. committees." If she is more dominant than her predecessors, it arises from victory in three elections, the weakness of external and internal opposition and her possession of greater – although far from complete – singlemindedness.

The remarkable feature, which has remained since my own book The Treasury under the Tories was published in 1964 (the title of which Sir Leo echoes but does not acknowledge) is that "matters which are at the heart of economic management – the budget balance, interest rates and the exchange rate" – remain in practice reserved for the Chancellor and the Governor of the Bank of England, with the Prime Minister much involved.

These derogations from collective responsibility have nothing to do with the supposed recent presidential style of running the government. Nor have they anything to do with the Prime Minister's title of First Lord of the Treasury, which – however much she relishes it – remains a quaint anachronism.

Where there has been a formal as well as substantive revolution has been in public expenditure control, resulting from the switch from volume terms to cash planning. The key to how it is done is the preparation of planning totals for the third year ahead. Spending ministers neglect at their peril these relatively distant projections. For the formula now used is to roll over the totals agreed for the previous year with an allowance for expected inflation and little else. The onus is on the spending department to bid for anything more.

Sir Leo is the first to emphasise that activities such as the Health Service, which have difficulty in raising productivity and keeping costs down to inflation, could in principle suffer. But such services hardly lack ministerial advocates, outside lobbyists and an uncritically favourable public opinion.

There is therefore no need to rediscover volume planning as some of our flat earthers have done, and which Sir Leo points out "offered no resistance to general inflationary pressures, and no incentive to economise in or switch from those items of expenditure which were particularly swollen by relative inflation."

Readers of all views will be grateful for the brief and lucid explanations of a large number of changes both in definitions and in control methods. Until I read Sir Leo I had not realised that the change in 1984 from the picturesque title of Comptroller and Auditor General to the National Audit Office has occasionally tempted the latter to stray from its Gladstonian restraining role to demanding more resources for some of the activities scrutinised.

A few narrow specialists may regret that Sir Leo has strayed outside his area of greatest expertise, public expenditure, to make observations on macroeconomic and monetary policy. Wrongly so, for the author does introduce some much needed perspective. He cites Sir Alan Walters's distinction between money and credit: "money is used to pay bills and credit is used to delay paying them" – a fair enough one liner. But Sir Leo is surely right to point out that that bank loans are the principal means of creating money and increasing the money supply. He is as well placed as any to see when the emperor has no clothes.

**Samuel Brittan**

## Crossing the river

■ "It's just like moving house," we tell ourselves. "There are always a few hitches." In fact, it is like 800 people moving house, though some have gone before.

This is the penultimate issue of the Financial Times to be edited at Bracken House. A small staff will bring out Saturday's edition on Good Friday. After that we shall all have crossed the river.

The astrological clock above the main entrance is staying. It is part of the original structure and cannot be moved. The bust of Brendan Bracken in the front hall is coming with us. But there will be no grandiose title for the new building: only Number One Southwark Bridge.

There is a problem about the index in the front window which has long kept passers by reasonably up-to-date with the stock market. The plan was to put one on the top of the new block. Permission has been refused by Southwark Council, however, on the grounds that it would be "detrimental to visual amenity and would create an undesirable precedent". The Council has also vetoed a large sign saying The Financial Times.

No one will miss the air conditioning. Being one of the earliest systems installed in the City, it has therefore long been one of the worst, although Freshfields, the law firm nearby, say that it cannot possibly be as bad as theirs. The lifts were not a strong point either.

It would be nice to say that we shall miss the view of St Paul's. Yet one of the oddities about Bracken House is how anyone could have designed such a building so close to the Cathedral with so few windows that look out on it. Only from the top floor dining room, where people like Harold Macmillan used to come for lunch and stay till after 3.30 pm, could it be seen in its full splendour.

"Is that all church," an American visitor once asked, "or do they have office space as well?"

Many of the old printers went long ago along with the introduction of the new technology. A story I shall always remember about them was when one of them was retiring. "We better get together," they said, "and buy old Fred a leaving present." So they all chipped in and bought him a bungalow in Essex. Those were the days.

# OBSERVER


"I don't *want* more choice – I'm a lager lout."

## Light touch

■ John Elliott, the Melbourne beer baron and owner of Courage, may have had his aspirations for further UK acquisitions blocked, but that does not stop him peddling his existing wares.

A big push is planned for Foster's Light, baby brother to the Amber Nectar but already looking very grown-up in its home market. Since its Australian launch last November by Carlton & United Breweries (CUB), Elders' local brewing arm, it has already laid claim to leadership among low-alcohol lagers.

Australia may not readily suggest restraint in matters alcoholic, but the reality is that random breath testing brought in at state level over the past few years, coupled with the country's long travelling distances and patchy public transport, make drink-driving a prominent social issue.

Foster's Light also has a distinguished precursor. In 1916, as part of the effort to keep the Great War troops on the straight and narrow, CUB launched a brew which it described at "pure, wholesome and non-intoxicating," and kept it in production until 1940.

It was called Camp Ale. Patriotic though that must have sounded at the time, the brand was judged not quite the right stuff for a relaunch today.

## Bright's day

■ A ceremony will take place today bringing together the House of Commons, the Economist and the Reform Club. All of them will be honouring the memory of John Bright, the 19th century reformer who died 100 years ago.

A portrait of Bright will be taken from the Commons tea room to the Speaker's House where some of the best of contemporary orators, led by Speaker Weatherill, will pay their tributes. They include Michael Foot and Enoch Powell. Also speaking will be Lord Young, the Secretary of State for Trade and Industry, who regards Bright as one of his predecessors, Cyril Smith, the MP who sits for Bright's old constituency of Rochdale, and John Wakeham, the Leader of the House.

Afterwards they will proceed to the Reform Club to have lunch at the Economist's expense. Both the Reform Club and the Economist were born out of the anti-corn law campaign with which Bright had so much to do.

The idea was thought up over dinner by Sir Peter Hordern, the Tory MP for Horsham, two weeks ago when it emerged that William Cash, the MP for Stafford, was a descendant of Bright. So is Kenneth Carlisle, the Member for Lincoln. "Bright is my hero," says Hordern – "next to Robert Peel."

## Inside job

■ Joe Wilkins has won the Brecher & Co National Legal Humour Award for a remarkable inside story about a judge who becomes increasingly irritated about the length of a trial. It goes on so long that it threatens the judge's holiday plans.

The prize is a sunshine holiday for two. Wilkins cannot take it up, however, since he is doing 10 years at Albany on the Isle of Wight. It was his own trial that he was describing.

## Out of order

■ The line up of speakers at a Church of England press conference yesterday to launch one of its inner city initiatives included Eric Forth, the industry and consumer affairs minister, and Louise Third, an adviser for the Sheffield Enterprise Agency. Announcing the speakers, the Bishop of Gloucester, the Rt Rev John Yates, said: "You will notice by some aberration of mathematics that Mr Forth will speak third and Ms Third will speak fourth."

## Beastly

■ Sign at the entrance to a Wiltshire field: "Trespassers who think that admission is free are advised that one of the bulls will charge them later."

**Quentin Peel** assesses what impact the Soviet elections will have on the country's political development

# Half a vote is better than no vote at all

To be blunt, the Communist Party of the Soviet Union has already done its damnedest to rig the results of next Sunday's elections. On the other hand, the best thing about them is that it has not entirely succeeded.

When the voters go to the polls for the first multi-candidate choice in the Soviet system for decades, most of them will face a neatly pre-packaged result. Sometimes the process has been quite deliberate, and very visible. In the Ukraine, for example, Mr Vladimir Shcherbitsky still rules. He is the sole survivor in the Politburo from the era of Mr Leonid Brezhnev, and has managed to organise unopposed elections there for virtually all the party leadership.

One quarter of all the 1,500 seats up for election on Sunday are uncontested, in spite of clear guidance from Mr Mikhail Gorbachev that the electors should have a choice. In the republic of Kazakhstan, 17 Communist party first secretaries are standing unopposed.

All over the country, district election meetings organised a month before polling day to "screen" the list of candidates were packed with party loyalists with clear instructions on how to vote. The result was that few truly independent figures got through to the final run-off. Whole regions, like Amur, Kaluga, Orel and Saratova, to cite a few, have not registered a single non-party candidate.

Those independents who did survive have found it almost impossible to get their election platforms published in the official party press, or arrange public meetings in official venues. Other notable reformers, in Moscow, Leningrad and Kiev, have found themselves fighting each other, rather than obvious rivals with alternative policies.

Sometimes the rigging has been more by force of habit than by design. It is undoubtedly traumatic for lifetime Communist Party members to get used to the idea that voters, and *not the party machine, should decide* their future deputy.

A commentator on Tass, the official news agency, expressed concern that in some areas like Estonia, and Moscow, five, six or more candidates were left on the ballot paper. "It spells the risk of an unknown quantity being elected more or less by chance," Mr Boris Prokhorov declared in apparent horror.

Perhaps sometimes the rigging has actually been done by mistake. The fact that 85 per cent of all the candidates are party members is seen as something of an embarrassment, as is the sorry representation of women at only 17 per cent. In the old days, there was always a quota for non-party candidates, women, workers and the like. Now, with no quota and a dominant party machine, the end result is actually less representative.

The truth is that elections in a one-party state, especially one where any alternatives have been ruthlessly suppressed for 70 years, can bear no relation to Western-style multi-party democracy, even where there is a choice of candidates.

One third of the seats in the 2,250-member Congress of People's Deputies have been reserved for "public organisations," like trade unions, the Communist youth league, and so on. Most have been chosen already, and they are largely safe members of the old Communist establishment.

**The campaign is not about policy, but mostly about style and personality**

The other two-thirds are divided equally between 750 "territorial" seats, with roughly equal populations, and 750 "national-territorial" seats, shared equally between the 15 Soviet republics, regardless of population size. That means that, confusingly, every elector will have two sets of candidates to vote for: one in the territorial seat, and one in the national-territorial.

In the old days, many Soviet voters did not even bother to *fill in* their ballot papers. They simply picked up the paper and deposited it unmarked in the ballot box. "You did it because you felt sorry for the election workers, who had to check everyone off," according to one old hand. There was something of a carnival atmosphere on polling day, with everyone togged up in their Sunday best. It did not make any difference, but it was an excuse for a holiday.

Yet in spite of all the obvious shortcomings of the campaign so far, Easter Sunday in the Soviet Union still promises to be a remarkable contrast to all the elections before it.

The main reason is that, although there is party control, the introduction of choice has caused little brushfires of debate and dissension to break out all over the country.

The most obvious are in Moscow itself, where Boris Yeltsin (standing in a national-territorial seat), has attracted the lion's share of international media attention to his campaign, but there are also a string of other outspoken reformers who have survived until the final run-off.

Then there has been the extraordinary upheaval within the Soviet Academy of Sciences, the most distinguished of all public organisations, where an attempt to elect a slate of safe figures was yesterday resoundingly rejected by the rank and file. Now it seems certain that Dr Andrei Sakharov and other leading reformers will be drafted onto a new slate – and the Academy's current leaders may well be forced to resign.

In the rebellious little Baltic republics, the elections have seen the nearest thing to a multi-party contest emerging, with the growing nationalist Popular Front movements in Estonia, Latvia and Lithuania openly endorsing candidates in the campaign. At least one Communist Party first secretary – Mr Jan Vagris in Latvia – could be defeated as a result, and Popular Front candidates seem certain to win by far the largest number of seats.

Elsewhere across the country, in a random and unpredictable way, odd informal groups or independents have managed to keep their names on the ballot paper, and open up the debate on key issues like the environment, housing conditions and public amenities. One outspoken nationalist is standing in Georgia (he has still not had his programme published), and two anti-corruption campaigners in Uzbekhistan, for example.

Another startling innovation was the publication of voting figures from the holy of holies, the Communist Party central committee itself – showing that 12 members dared to vote against Mr Gorbachev, 59 against his closest ally, Mr Alexander Yakovlev, and 78 against Mr Yegor Ligachev, leader of the conservative wing in the Politburo.

They may be the exceptions rather than the rule, but for a system deadened by years of spurious unanimity those exceptions are startling electric shocks to the body politic.

Mr Yeltsin's campaign in Moscow is important, not because of the man, but because of what he has come to represent, not least because of continuing attacks on him from the party hierarchy. He is not as outspoken a reformer as many other Moscow candidates, who have openly advocated a rapid move to multi-party elections. He has only suggested the subject should be discussed.

In himself, he is a classic product of the Communist Party system: a provincial-bred big city boss, who ruled from the top with an autocratic style, albeit to push through reforms, not to stop them. He sacked 26 out of 28 district party secretaries in Moscow overnight, and two of them committed suicide as a result. He is not an instinctive democrat.

But since he was sacked from his Moscow job, and from candidate membership of the Politburo, he has taken on the mantle of all those with a grievance against the system. "They are united by a rejection of the way the party has run the country, granted itself all the privileges, and lost touch with the way ordinary people live," according to one observer.

Mr Yeltsin looks set to win by a landslide. His officially-backed rival Mr Yevgeny Brakov, boss of the huge ZIL car plant, cannot even count on the support of his own workforce, according to unofficial polls.

The issues in the campaign are not policy issues, they are mostly about style and personality. Only in the Baltic states are they questioning the system itself.

The fact that a full-scale plenum of the central committee could be held in mid-campaign – as if a Western political party were to stop campaigning and hold a party conference – to decide sweeping questions of farm policy was an indication of the ruling party's view of the process.

Another big difference to Western democracy is that outside the party officialdom, full-time politicians do not exist. The vast majority of candidates for deputy do not appear to want to sit in a parliament for six or eight months of the year. They want to go back to running their collective farms or factories.

Even the question: "Do you want to be a full-time deputy in the Supreme Soviet?" is usually met with incomprehension. For most it will be enough to attend formal meetings of the umbrella Congress of Deputies for a couple of days, and then go home.

It is not even clear yet just how the Supreme Soviet – supposed to be a standing parliament of 544 members, elected from the 2,250 in the Congress – will work.

Yet the new body has a monumental agenda ahead of it: penal reform, devolution of economic power to the regions, constitutional reform to bolster the republics, laws to ensure the independence of the courts and the role of the press, new foreign trading regulations, tax reform, eventually price reform, and so on.

The crucial question is whether a largely managed election to the new supreme legislative body is capable of delivering the promised return to Vladimir Lenin's original slogan: "All power to the Soviets."

If Mr Gorbachev is to be taken at his word, he needs a competent and critical Supreme Soviet to counterbalance the entrenched, overlapping bureaucracies of both party and state.

The only real guarantee he has of that is the extent to which his party has failed to rig the result. For it is only the outspokenness of the likes of Dr Sakharov, Mr Yeltsin, and the rebellious Balts, which will keep the party on its toes.

*LOMBARD*

# Mr Kinnock's big test

**By Joe Rogaly**

BRITAIN'S Labour Party should be riding high. It is neck-and-neck with the ruling Conservatives in some opinion polls, but that is not good enough. It will have to be five, ten points ahead if it is to stand a chance of winning the next general election.

It should be approaching that now. The Government is in trouble. Inflation is rising. Many Tory voters are disgruntled about the size of their mortgage repayments. Mrs Margaret Thatcher's plans to reform the National Health Service and privatise the supply of water are unpopular. The centre parties continue to destroy one another, giving Labour a second chance to make headway among Social Democratic and Liberal voters. (Labour had a similar chance last year, but muffed it.) Mr *Neil Kinnock, the Labour* leader, has enjoyed good publicity following the marked improvement in his performance in the House of Commons. Why, then, is Labour not as far ahead as it should be?

Mr Kinnock has shown that he knows part of the answer. Many of the traditional policies with which Labour is associated are so unattractive to the newly *affluent voters of the* south east that the party has little chance of winning many seats in this key region of England. Voters fear high taxes. They mistrust Labour's defence policies. They dislike nationalisation. Above all, they believe that the Conservatives are relatively competent managers of the economy while Labour is perceived, with some justice, as the architect of the economic chaos of the later 1970s.

In an effort to counteract this belief, Mr Kinnock has prepared a series of lectures. The first was delivered on Monday. It aimed to show that the Tories have been incompetent managers of the economy. The balance of payments deficit, as illustrated by Britain's growing deficits with various major trading partners, constitutes his principal evidence. Whatever the economists may say, this is a promising political argument. It should prove particularly fruitful if inflation and the deficit both continue to rise. The Government could become increasingly vulnerable on the "competence" issue, if any one of a number of possible mishaps occur.

Mr Kinnock has also spoken volumes by saying nothing about nationalisation. He proposes more regulation of large monopolies, some public participation in them ("golden shares"?) and partnership deals between Government and selected larger companies. Those that invested for long-term growth would be protected from predators. Big companies would attract tax relief for expenditure on training or the environment; smaller companies would be provided with Government advisory and other services in a "one-stop shop." The state would spend more on education and training, among other *things*.

The above is only a partial glimpse of where the party's current policy review is leading. On its own it provides a mildly interventionist package that, if believed, could be attractive to many voters. The polls suggest that the political tides may be turning back towards the notion that Government can be beneficial; Mr Kinnock could be on to a *selling slogan. Something, perhaps*, about the New Labour Party being good for Britain.

Fortunately for the Conservatives, few are likely to believe it. Voters will want to see the entire policy review. It will be completed in May, but it has then to be endorsed by the party conference in October, unspoiled by left-wing amendments and rejections. Mr Kinnock is working hard to achieve such a victory, but so far he is going about it the wrong way. For example, the Transport and General Workers Union is being squared up, in the hope that its bloc vote will be exercised in the Kinnock direction. A party converted by stealth and guile (and, to Mr Kinnock's credit, sheer persistence) will be hard to sell as "new". What is required is an open, public, argument with the trade unions in which the Labour leader genuinely puts his own job on the line, and wins. It is a test he has yet to attempt, let alone pass.

# *LETTERS*

## Industrial support and protectionism

*From Mr Peter Sachs*

Sir, There is much in your leader ("The industrial policy myth", March 16) which in itself is mythical. There are certain industrial trends which exist wherever international trading takes place. These are:

- Every industrial country gives support, often massive, to its industry.
- Competition in manufactured goods is fierce and international.
- The number of these international competitors in any sector is inevitably reducing to *a smaller and sensible number.*

On the question of government support, there are many techniques. Most companies expand on the basis of a sound home market, and the Japanese achieve this by *de facto* protectionism of the Japanese market in their areas of maximum export penetration, such as motor cars and consumer electronics.

It is the necessary aim of *trading* blocs to achieve a trade balance, and there is no European industrial policy which denies free trade with any *country that* has in *reality* an open *market*. To have unilateral open market gives rise to the type of trade deficit that the UK and th US are experiencing; other European countries do not want to go this route.

The support that the Commission provides for development programmes sensibly extends to pre-market applications, and the collaborative nature of these programmes is *one of the many factors causing* European companies to discuss their approach to international competition.

Your leader mixes up industrial support with protectionism. In sectors as internationally competitive as motor cars and electronic consumer products, even one or two producers in each trading bloc will still provide sufficient competition; consortia will necessarily be formed, and countries or blocs may well wish to provide development funding.

Protectionism on the other hand is a government device to protect home markets and their industries; both Europe and the US need to find ways of protecting their employees from countries with such closed home markets, without putting up similar protectionist barriers.

There is a strong industrial feeling throughout the West that competition must be international and in open markets. There is equally a realistic view in Europe, although perhaps not in the UK, that when other markets are not open something needs to be done to redress that balance. That is the stated European economic policy.

Peter Sachs,
*Electronic Engineering Association,*
*Leicester House,*
*8 Leicester Street, WC2*

*From Mr Keith Bradley and Mr Simon Taylor.*

Sir, Your conception of industrial policy ("The industrial policy myth", March 17) is perhaps too narrow. Special pleading for protectionism is indeed a pernicious influence. Future competitiveness of British industry requires a coherent response from the government.

Outright rejection of industrial policy, based on failures of the past, should not obscure the need for guidance. Overall direction and co-ordination are required in training, research and infrastructure, which includes education.

Problems of transport, communication and the environment are at the forefront of business discussions. Human infrastructure will become increasingly significant. Further, the diffusion of information about best practice and instructive case studies is crucially important and cannot be effected by market mechanisms.

The role of government in these areas must be taken seriously. The alternative is *ad hoc intervention, a lack of continuity* and policy by backdoor pressure groups and vested interests.

Keith Bradley,
Simon Taylor,
*Business Performance Group,*
*London School of Economics and Political Science,*
*Houghton Street, WC2*

## No lame duck

*From Mr Ian Denholm.*

Sir, I cannot let pass Mr Douglas Brown's letter (March 16) commenting on mine of March 8.

Mr Brown *describes in some* detail the standard shipbuilding subsidy available under European Community rules to any shipyard in Europe. The subsidy is designed to bring EC prices into line with world market prices.

By definition it is of no help to shipowners. The bulk of orders go to Japan or Korea: the subsidy keeps a few in Europe.

*I have frequently acknowl*edged that the Government is providing useful aid to training and crew repatriation costs, primarily to ensure that British seafarers are available for defence purposes. But that will be to no avail if there are insufficient ships for them to sail on.

The real issue is that without Government action on capital costs to match that available *in other* countries, there will be little new investment by British companies, other than in special cases such as the small ships that Mr Brown mentions.

British shipping is not a lame duck. The lack of Government action is, in some ways, less important to British shipping companies, which will redirect their resources out of shipping to more profitable investments, than to the country.

It is the consequences for the nation as a whole – in trade and defence – that I want to emphasise.

This is a time of opportunity in shipping and it is unfortunate that, alone among Western governments, ours is not helping its industry to grasp it.

Ian Denholm,
*General Council of British Shipping,*
*30-32 St Mary Axe,*
*EC3*

## Improved choice for consumers

*From Mr Stephen Cox.*

Sir, *Lex* says the abolition of the tied house would be good for the consumer (March 17). *Not so. How many of the country's* 205 brands of real ale or 56 independent breweries would survive, given the ability of the larger brewers to dominate the free trade *through financial deals?*

At present more than 80 per cent of free houses have been tied to breweries through cheap loans and barrellage agreements. In countries which have abolished the tied house, but still permit the "loan tie" in the free trade, a handful of large companies have taken over the market. Look at America and Australia.

That is why the Monopolies Commission report has recommended that a certain level of tied estate should be permitted, but that the "loan tie" be banned. This will both loosen up the tied trade and the free trade to competition – while keeping a vigorous independent brewery sector. Their line of attack offers a real prospect of improved choice for the consumer.

And, of course, any economist can tell you that there cannot be perfect competition while the number of outlets is limited through the licensing system. The ultimate deregulation would be to allow everyone to sell alcohol – and no one is going to propose that.

Stephen Cox,
*Campaign for Real Ale Ltd,*
*34 Alma Road,*
*St Albans, Herts.*

## Private Drain

*From Mr Anthony Holland*

Sir, British Rail has shut down the Waterloo-City line during the rush hours until after Easter. One might have thought that customer needs would be among management priorities, with the work involved being done either in the non-rush hour periods or on a 24-hour basis.

It is hard to imagine a more desirable candidate for privatisation than "the Drain". The rush to subsidise for shares would be greater by far than the normal rush hour.

With reasonable capital expenditure, new management and a motivated workforce, a highly profitable operation would be guaranteed.

Anthony Holland
*7-8 Savile Row, W1*

## Japan's clout

In Mr Ronald's Dore's letter of March 21 ("Japan taken seriously") some words were inadvertently left out.

The fourth paragraph of the printed version should have said: "the Japanese often have more financial clout – which the Americans resent. The Americans have more status clout – respect – which the Japanese resent."

FINANCIAL TIMES
Thursday March 23 1989



# New Year boost for European business confidence

ECONOMIC confidence in the EC bounced back at the start of this year, according to the latest Commission survey claiming increased capacity utilisation, swelling orderbooks, favourable employment and export prospects, writes David Buchan in Brussels.

The Community's leading economic indicator returned to its record level of last November, after an apparent dip in one of its components, consumer confidence, in December.

Industrial, construction and stock exchange information are the other ingredients in this synthetic leading indicator.

"These are very good signs for the European economy," said Mr Henning Christophersen of the European Commission, which publicly claims its 1992 deregulatory programme has been the crucial shot in the arm for the EC economy, but privately avows its good fortune in having such a cushion to the rationalisation shocks expected to come in many sectors.

On average, in January factories in the 12 countries were running at 86.3 per cent of total capacity, 0.7 per cent above utilisation levels last October and only a shade below the pre-oil shock peak of 1973. The highest degree of utilisation was recorded in the UK (94.3 per cent), West Germany (87.7 per cent) and France (87.1 per cent).

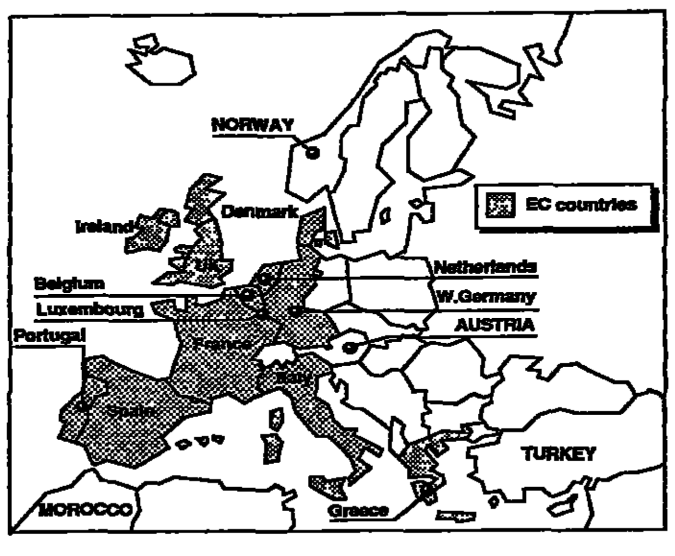
This is good news for the capital goods sector, though only France and Luxembourg appear to feel their output is now being hampered by technical production constraints.

# EC's new popularity attracts problems

## Prospect of single market brings the world to Brussels' door, writes **David Buchan**

IS THE European Community in danger of becoming a victim of its own success?

Magnet-like, it is drawing unwelcome, as well as welcome, interest in its single market. One politically awkward application for membership, by Turkey, looks like being followed by another this summer, from Austria. The US, or at least Mr Robert Mosbacher, its brash new Commerce Secretary, has been demanding "a seat at the table" of EC deliberations. Brussels' trade, dumping, investment and industrial policies are being subjected to an unprecedented degree of foreign scrutiny and often criticism.




It is an extraordinary switch from the 1960s and 1970s when the Community was almost struggling for recognition, and willing to offer deals, such as a trade agreement with Turkey envisaging its eventual EC membership, with consequences it now no longer wants to contemplate.

There is, of course, considerable pride at being the centre of so much attention. Some 130 countries or institutions now have diplomatic relations with the EC, the latest ambassadorial arrivals being from the Soviet Union and East European countries.

Some of the compliments are back-handed. "We get accusations of building a Fortress Europe, precisely because the Community is now an economic power on the world stage," Mr Jacques Delors, Commission president, said recently.

The image, too, of the Community-on-the-move that has so struck many outsiders in the past year is also somewhat deceptive. Like many marriages, the unity of the Twelve looks stronger from the outside than from the inside.

Precisely because that unity is still shakier (over monetary, tax, and social policies, to name but three areas) than it seems from afar, outsiders find it hard to comprehend fully the primacy that the European Commission and many EC member states put on "deepening" their integration.

The new challenge, as it is seen in Brussels, is how gently to deter outsiders applying for membership, or trying to exercise a brake on internal Community decision-taking through the consultation procedures they have in their myriad agreements with the EC, without foreclosing the many options opening up in a Europe of unprecedented flux.

This is what lies behind Mr Delors' talk of new "proximity" policies towards the Community neighbours, for which there seems to be widespread support from EC member states. It was most specifically directed at the European Free Trade Association (Efta) countries, and received its most specific answer at last week's Oslo declaration in which the six Efta countries said they were ready to contemplate "common decision-making and administrative institutions" with the EC.

If it was partly aimed at discouraging Austria from submitting an early bid for eventual EC membership – which it was – it does not look like succeeding. Austrian ministers still indicate they will apply for membership this summer. It could still, however, give pause to Norway, the second most likely Efta country to make a bolt for Brussels one day.

But Mr Delors may yet succeed in his other aim of getting Efta to speak with a single voice of which Brussels could take account in pursuing its single market programme. Despite Monday's meeting of EC and Efta foreign ministers here, *Commission officials still* say the Efta countries have failed to answer the hard questions which Mr Delors put: Could they accept the EC's common commercial policy? Could they accept EC Court jurisdiction? But the same officials acknowledge that the Oslo declaration "has set the ball rolling".

To the EC, the Efta countries are overwhelmingly the most important neighbours, for reasons of political and cultural affinity and of trade. The Community does as much trade with them as with the US and Japan combined. *But the* Delors proximity approach is also directed at the EC's Mediterranean neighbours. Virtually all of these countries have long-standing association agreements and one of them, Morocco, even expressed an interest in membership last year.

Brussels is not about to make an Efta-style offer to the Maghreb countries. But the new five-country Maghreb Arab Union has stirred some interest in Brussels. This is not just because the EC has always been keen on regional groupings in its own image, but because it sees new multilateral means of dealing with the three Maghreb countries (Tunisia, Morocco and Algeria) which have close economic ties with – and large immigrant populations in – the Community.

"These countries are among the least equipped, politically and bureaucratically, to follow developments in the Community, but among the most concerned by them, economically," says an official in Brussels.

There is, however, one regional grouping of neighbours in which Brussels remains uninterested as a negotiating partner: Comecon. The real reason is not Comecon's inability to speak for its seven European members as the Brussels Commission does for the Twelve – the same objection could be lodged at Efta. It is the disproportionate presence of the Soviet superpower in Comecon.

"We have no interest whatsoever in increasing that domination," stresses one EC official. Formal EC-Comecon relations, only *established* last summer, will thus remain an empty shell, with Brussels doing its real business with individual countries, including the Soviet Union with whom trade talks are likely to start *this* year.

The EC goal of striking trade deals with individual Comecon countries dates back 15 years and Mr Delors, activist that he is, would like to move Community policy forward to take account of fast-moving developments in East-West relations. Most EC governments have shown zero interest in his ideas of setting up "European Business Centres" in East European capitals, still less in Community co-ordination of the export credits which member states give the East bloc.

So far, therefore, the Commission president has resorted to political symbolism. Last week he told the European Parliament of his hope that the East Europeans "might one day rejoin us, in one way or another". His vision appears to be that of an Eastern Europe, democratised by glasnost, gradually converging with a European Community, its capitalist sharp edges softened by "a social dimension".

What gives this a tinge of plausibility is the increasingly fluid patterns in Europe. For example, Efta is publicly talking of some association with Yugoslavia, which shares neutrality with several Efta members but which has had a radically different system of decentralised communism.

*A far bigger step would be* for a Comecon country to join Efta, and some leading Hungarians have been mooting this. What once seemed science fiction might soon become political science.

# US officials and PLO make progress at Tunis peace talks

**By Jihan el-Tahri** in Tunis

US OFFICIALS and members of the Palestine Liberation Organisation yesterday had their first substantial discussions on the framework for Middle East peace negotiations, although they apparently failed to agree on priorities.

The second formal US-PLO meeting in the Tunisian capital, held despite strong objections from the Israeli Government, lasted 4¼ hours. "This meeting has witnessed certain progress. We treated substantive issues for the first time," said Mr Yassir Abed Rabbo, member of the PLO Executive Committee and leader of the PLO delegation.

Mr Robert Pelletreau, the US ambassador to Tunis who is the sole US channel for the discussions, also spoke of substantial talks and said there was a new dynamic in the Middle East "of which this dialogue is a part".

Mr Pelletreau said the two sides talked about practical steps to reduce tension in the Israeli-occupied territories, where the Palestinian uprising has already lasted 15 months. PLO officials, however, want any concessions on the *intifada* to be reciprocated by the Israelis and are more concerned with urging the US to press for an international peace conference.

They are also anxious for the US to clarify its stand on Palestinian rights and accept the PLO as the sole representative of the Palestinians. Mr Abed Rabbo said it was Israeli occupation and repression that caused the tension in the West Bank and Gaza.

The US lifted its 13-year ban on contacts with the PLO in December, after Mr Yassir Arafat, the PLO leader, renounced terrorism and accepted Israel's right to exist.

# Jordan to shelve Tornado deal

**By David White,** Defence Correspondent, in London

JORDAN intends to shelve a deal with the UK worth almost £500m ($860m) and involving eight ground-attack Tornado aircraft, according to industry officials.

An announcement by the UK Ministry of Defence is expected today.

A government-to-government agreement covering the aircraft was signed by King Hussein of Jordan at Britain's Farnborough airshow last September.

The officials said the deferment was not connected with allegations published last weekend that Jordan was charged excessively high prices and that large commission payments were made.

The agreement covered weapons for the aircraft, spares, support and training, with prices geared to 1990 delivery, they said.

Jordan's decision is believed to reflect its economic difficulties and pressure from the International Monetary Fund for financial restraint.

Export finance for the deal remained to be finalised. Finance was to be shared between the three partner countries involved in producing the Tornado – the UK, West Germany and Italy – but the official said the West German and Italian contributions had not been completely settled.

The finance package caused a row between London and Bonn last year. The West German authorities, facing a domestic political uproar over the question of whether the country should participate in arms' sales to the Middle East, refused Federal Government credit backing. However, the Bavarian State Bank was later brought in to head a West German credit package.

The expected decision marks a second setback to Tornado exports. In 1987, Oman also rescheduled a planned purchase.

This leaves only two other export clients - Saudi Arabia, which is buying 120, and Malaysia, expected to buy up to 12 under an agreement signed last year.

# Toxic waste accord agreed in principle

**By Paul Abrahams** in Basle

AN international convention to control the transport and disposal of hazardous waste was agreed in principle by representatives of more than 100 countries yesterday, but only 34 states signed it straight away.

Delegates from the other nations, including all the African participants, the US, Britain and West Germany, said they would have to consult their governments before signing. Among immediate signatories were Canada, France, Italy, Switzerland and Hungary.

The convention, which marks the culmination of 18 months of negotiations, aims among other things to prevent the illegal export of toxic waste from industrialised countries to developing nations.

*In particular*, it insists that countries exporting waste should have the written assent of importing countries for each specific cargo. Exporting countries also need to be sure that the waste will be managed in an environmentally sound manner. The definition of "environmentally sound" is yet to be decided.

More significant, however, was what was not included in the treaty. A series of amendments proposed by the Organisation of African Unity and a number of Asian countries were rejected. These amendments would have:

- made the countries which produced waste liable for its ultimate disposal.
- prevented the importation of wastes to countries which did not have the same level of facilities and technology as exporting nations.
- insisted on sophisticated verification procedures, including inspection of disposal sites.

The countries adopting the treaty did agree to discourage the international transport of waste by minimising its production through more efficient manufacturing, investment in recycling and by treating waste, as far as possible, locally. However, no specific measures which might assist these objectives were included in the treaty.

A spokesman for Greenpeace, the environmental pressure group, said the demands of developing nations for protection *from the international* waste trade had largely been ignored. He added that the treaty legalised the export of wastes to the Third World.

Some 20 ratifications are needed for the convention to enter into force, a process which could take up to two years.

**John Hunt adds:** Lord Caithness, the UK Minister of State for the Environment, said that Britain had signed the convention's final act but not the full convention itself. He saw this as "the first stepping stone on the road forward."

One of the sticking points for Britain had been the inclusion of clauses which seemed to interfere with the free passage of vessels at sea.

Pollution in E. Europe, Page 4

## WORLD WEATHER

| | | °C | °F |
|---|---|---|---|
| Ajaccio | | – | – |
| Algiers | F | 17 | 63 |
| Amsterdam | F | 6 | 43 |
| Athens | C | 16 | 61 |
| Bahrain | S | 22 | 72 |
| Bangkok | F | 33 | 91 |
| Barcelona | S | 15 | 59 |
| Beirut | | – | – |
| Belfast | C | 5 | 41 |
| Dubrovnik | F | 15 | 59 |
| Edinburgh | C | 5 | 41 |
| Faro | S | 21 | 70 |
| Florence | F | 18 | 64 |
| Frankfurt | C | 12 | 54 |
| Funchal | C | 18 | 64 |
| Geneva | C | 10 | 50 |
| Gibraltar | S | 19 | 66 |
| Glasgow | F | 4 | 39 |
| Malta | S | 18 | 64 |
| Manchester | C | 6 | 43 |
| Manila | C | 31 | 88 |
| Melbourne | F | 25 | 77 |
| Mexico City | F | 26 | 79 |
| Miami | F | 21 | 70 |
| Milan | F | 16 | 61 |
| Montreal | F | -13 | 9 |
| Moscow | S | 8 | 46 |
| Rhodes | S | 19 | 66 |
| Rio de J'o | F | 34 | 93 |
| Rome | C | 16 | 61 |
| San Francisco | S | 11 | 52 |
| Seoul | S | 14 | 57 |
| Singapore | F | 31 | 88 |
| Stockholm | C | 8 | 46 |
| Strasbourg | C | 13 | 55 |

# Scientists claim successful N-fusion

Continued from Page 1

reproduce the experiment in our laboratories over the coming weeks."

Professors Fleischmann and Pons are convinced that they have achieved nuclear fusion and not a conventional chemical reaction, because very large amounts of heat are released and because some of the expected fusion products – tritium, neutrons and gamma rays – are formed.

"The nature of the experiment is so ridiculously simple yet in a way so far-fetched that that we decided not to raise money from external sources but to finance the early work ourselves," said Professor Fleischmann.

Scientists have always assumed that fusion power plants would be large and complex, involving substantial capital investment by the electricity supply industry. But if the Utah research can be commercialised, small-scale or even portable fusion cells may be feasible.

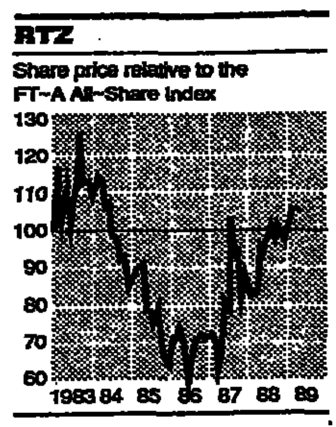
The two professors plan to announce their discovery at a press conference in Salt Lake City this afternoon and to publish more details in scientific literature in May. The University of Utah has applied for patents.

Although the experiment may sound simple to chemists, it would be unwise for inexperienced scientists to try it until more details of the work have been published. One of the Salt Lake City experiments released so much heat that the palladium electrode melted and vaporised.

THE LEX COLUMN

# Broking breaks the banks

The time is coming when UK merchant banks have to decide whether they are being run for the benefit of their staff, or their shareholders. The overriding impression from yesterday's results from two leaders in the business is that Morgan Grenfell made the right decision to axe its UK securities operation, and that Kleinwort Benson's shareholders would be much better off if it did the same.




To be fair, Kleinwort's securities business is considerably better than Morgan Grenfell's was, but it is still not big enough; and it is hard to imagine a time when the financial advantages of being an integrated securities firm will be *sufficient to make up for the* scale of the losses now being taken. As Morgan Grenfell's £39m extraordinary item demonstrates, the costs of exit from this business probably exceed the entry costs. But at least it now has a clean operation which should have no difficulty earning upwards of £60m a year. While this is not a magnificent return on £527m of capital, it is far more predictable.

There is far too much capital chasing far too little business in the UK securities industry. Unless capacity is going to shrink dramatically, it is hard to see how Kleinwort can earn an anywhere near decent return. However, it seems intent on slugging it out; the combination of some aggressive cost cutting and an improvement in margins and volume should ensure that the £18m second half loss marks the low point in its fortunes. But any recovery is going to be long and uncertain; and for Kleinwort, as for Morgan Grenfell, there seems little prospect of a rescuer with deeper pockets.

## BAT

With each set of full year figures from BAT, one is struck afresh by the scale of the beast – pre-tax profits this time are up by £250m – and puzzled about its nature. Always, it runs away from dependence on tobacco, and tobacco chases after it. Last year tobacco profits fell below *half for the first time*, and should now fall to 40 per cent with the inclusion of Farmers. But it is striking that while tobacco was up only 5 per cent, the older attempts at diversification – retailing and paper – were up by even less. The latest favourite, financial services, is doing all the running, and it is at this point that the nervous investor will bring up Proposition 103.

Though the effects of this are doubtless overplayed, it seems clear that BAT has chosen to walk into Californian insurance at a time when conditions are bound to get tougher. Against this, the more sanguine could point to another US influence, that of RJR Nabisco. If Reynolds is strapped for cash, it may prove the less combative in the market-place; and for the real optimists, the whole RJR exercise provides a benchmark for BAT's break-up value.

At its present 552p, after all, BAT is on around 8 times this year's earnings, and 6 times cash flow. RJR, which is two thirds tobacco to one third food, went on 18 times earnings and 11 times cash flow. And BAT would doubtless be available for $5bn less than RJR's $25bn purchase price. But these are pipe dreams; it is hard to see the shares as other than fairly valued.

## RTZ

If the market is looking for a reason to worry about RTZ – and with the shares on a 30 per cent discount to the market's historic multiple, it must be worried about something – it could do better than agonise over how the purchase of BP's mineral assets will be financed. That was the one subject on which RTZ had precisely nothing to tell the market yesterday; but it is in any case hard to imagine that the company would let gearing rise to over 100 per cent by doing the deal entirely for debt. And even if it did, metals prices at current levels would sort out the balance sheet fairly promptly.

On the prospect for metals prices, RTZ had plenty to say yesterday, and none of it gave any cause for concern. Prices can and will decline from their current ecstatic levels later in the year; and it is a rare raw materials share which rises when the price of the material declines. But a significantly larger fall would appear to be in the share price already. And if RTZ's forecast of a new era of firm metals prices is remotely correct, such pessimism can scarcely be justified. RTZ spent all of last year buying and selling businesses with a sure touch and a steady hand, and the end result – once the BP assets are included – is one of the trimmest and best diversified mining companies anywhere. It will not manage 50 per cent earnings growth every year. But if it can do 17 or 18 per cent this year, that should still be several points higher than any likely average for the market.

## Kingfisher

There is no such thing as a good company in the retail sector at the moment. If there were, Kingfisher – which yesterday gave stores analysts their first pleasant surprise in months, with a 17 per cent increase in earnings – might be it. Yet the market rates its shares at a discount to other retailers, leaving the premiums for those with the disappearing profits and the For Sale signs.

Kingfisher's rating might seem illogical, were it not for the fact that no-one trusts it not to make acquisitions. Its shares are therefore put on a low enough multiple to remove all temptation. While the company would doubtless start issuing new paper given half a chance, the market is perhaps wrong to fear the consequences so badly. Indeed, yesterday's 27 per cent increase in profits from Comet shows it capable of squeezing out more profit long after the initial improvements have been made, and in surroundings that could barely be less auspicious.

Even without acquisitions, Kingfisher should manage earnings growth of 10 per cent or more this year, with the once-despised Woolworth chain doing its defensive bit to the full. The company yesterday reminded everybody of the broad spread of its profits, and its concentration in the fastest-growing sectors of the consumer market. However, that could be double edged: as Comet has already found, and B&Q and Superdrug could be about to discover, today's best parts of the High Street can become tomorrow's worst.

FINANCIAL TIMES
# COMPANIES & MARKETS
Thursday March 23 1989



## INSIDE

### Pride before a fall

NTT

Shares of Nippon Telegraph and Telephone, Japan's giant but scandal-tainted telecoms group, yesterday fell for the first time below Y1.6m ($12,200), the price at which the first tranche of shares was launched on a wave of national pride and stock market frenzy two years ago. Page 54

### AFP rides to the rescue

This week's rescue of Chase Corporation, the New Zealand property and investment group controlled by Mr Colin Reynolds, was an important strategic move for AFP Group. But, with the depressed state of the New Zealand property market, it also represents a considerable challenge to this internationally ambitious company. Page 30

### Man who plucked the Chicken of the Sea

He may look like a down-at-heel Buddhist monk, but daring moves by the permanently-smiling, 70-year-old Tegoeh Soetantyo have sent ripples through the world's $3bn-a-year tuna fish industry. James Murray Brown looks at the Indonesian businessman's $290m acquisition of Chicken of the Sea, the second largest tuna brand name in the US, and the rapid growth of his company, Management Trust. Page 31

### Gas tap to the golden quarry

Western Australia's mineral wealth has earned it the title "the quarry of the world." Now Peter Dowding, the state's new premier, wants it to build on that strength by processing more of its own raw materials. Page 42

### Yugoslavia banks on shake-up

A radical shake-up of Yugoslavia's banking system has become a priority of Mr Ante Markovic (left), the country's new Prime Minister. What remains in question, however, is how Mr Markovic can push through the reforms without too much upheaval, explains Judy Dempsey. Page 34

### Market Statistics



### Companies in this section



### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Degussa | 459 | + | 6 |
| Man | 252.5 | + | 2.2 |
| Feldmuehle | 386 | + | 2.5 |
| **Falls** | | | |
| Nixdorf | 290.5 | − | 5 |
| RWE | 241.5 | − | 3.5 |
| Bayer Hypobank | 353 | − | 5 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| BankAmerica | 22⅝ | + | ¾ |
| John Wiley "A" | 54½ | + | 1½ |
| **Falls** | | | |
| Ashland Oil | 38 | − | 1¾ |
| DEC | 95⅞ | − | 11⅛ |
| IBM | 109¾ | − | ¾ |
| Salomon Bros | 24⅝ | − | ⅞ |

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Banc DS | 19.4 | + | 3.8 |
| Raffinage | 103 | + | 6.9 |
| Sat | 750 | + | 36 |
| UIF | 550 | + | 26 |
| Esor | 1257 | + | 54 |
| **Falls** | | | |
| Lebon Cie | 1281 | − | 56 |

**TOKYO (Yen)**

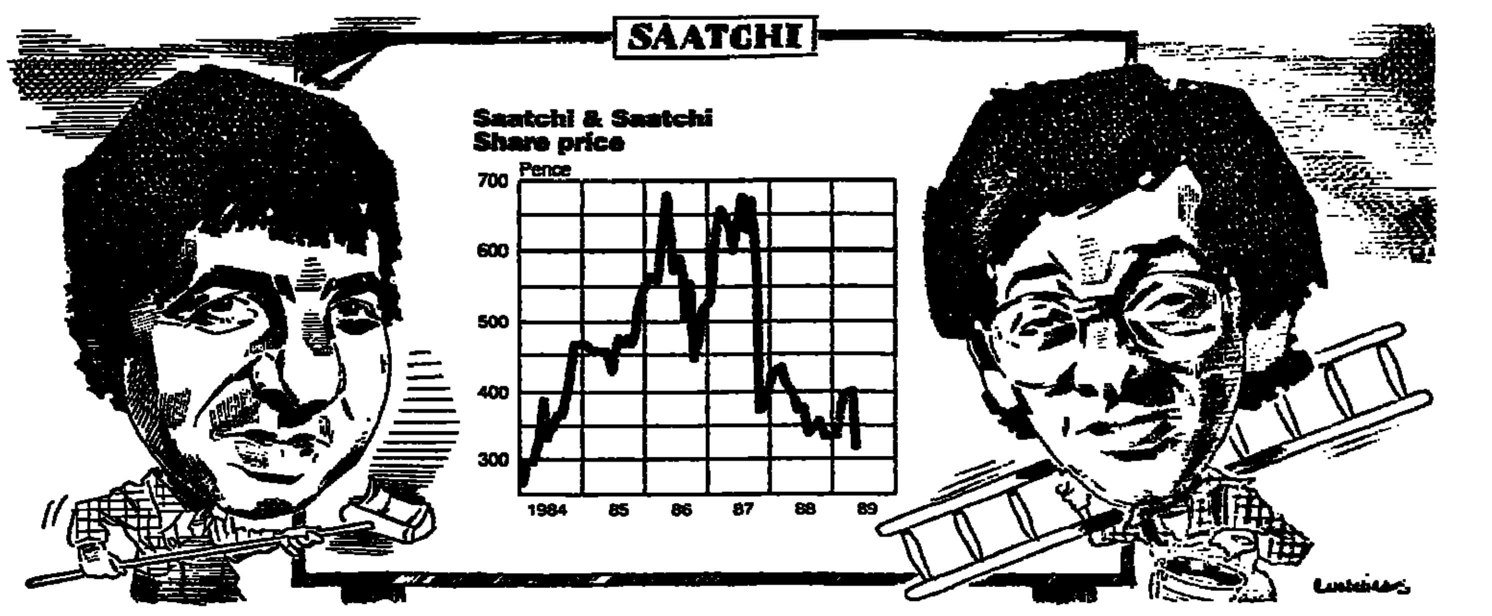
| | | | |
|---|---|---|---|
| **Rises** | | | |
| Daikyo Cons. | 1200 | + | 120 |
| Tokyo Sair | 1240 | + | 120 |
| Okazaki Kogyo | 1080 | + | 180 |
| **Falls** | | | |
| Toyo Carbon | 653 | − | 92 |
| Nitto Kako | 750 | − | 100 |
| Toho Titanium | 2250 | − | 250 |

**LONDON (Pence)**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Rises** | | | | Buzzl | 156 | − | 8 |
| Bostrom | 198 | + | 20 | Cable & Wire. | 449 | − | 13 |
| Chrysalis | 241 | + | 55 | Enterprise Oil | 531 | − | 23 |
| Church (C.) | 117 | + | 10 | Grand Met. | 538 | − | 12 |
| Devenish | 344 | + | 13 | Greene King | 542 | − | 17 |
| Fitch (R.S.) | 355 | + | 10 | P & O | 580 | − | 12 |
| Hambros 17 Wrnt | 125 | + | 9 | Saatchi | 303 | − | 15 |
| Transcont Servs | 250 | + | 15 | | | | |
| **Falls** | | | | Scot. & New. | 315 | − | 14 |
| Allied Lyons | 445 | − | 13 | THORN EMI | 881 | − | 21 |
| Amstrad | 142 | − | 7 | WPP | 688 | − | 27 |
| BAT Inds. | 552 | − | 12 | Whitbread | 334 | − | 10 |
| Bass | 903 | − | 20 | Wimpey | 296 | − | 10 |
| Body Shop | 527 | − | 17 | | | | |

# Why Saatchi & Saatchi has lost its glitter

**Alice Rawsthorn** on the setback facing the advertising agency




Charles (left) and Maurice Saatchi: having to come to terms with a downturn after nearly two decades of growth

"IT HAS been a shock. This is a company where people expect numbers to go upwards eternally and irrevocably. Anything else is entirely outside our experience."

On Tuesday Mr Jeremy Sinclair (the speaker) and his colleagues at Saatchi & Saatchi, where he is deputy chairman, came face to face with the uncomfortable truth that the numbers had suddenly changed direction.

The senior executives of Saatchi, one of the world's largest communications and consultancy groups, had gathered in London to be told that Saatchi's profits would fall this year, for the first time in nearly 20 years.

The executives, who were once enveloped in an apparently endless whirl of expansion and acquisitions, are now tackling the tasks of cutting costs, pruning budgets and desperately trying to salvage morale.

Saatchi's share price has plummeted. It fell by 60p on Tuesday and by 15p to 303p yesterday. James Capel, the London stockbroker, has slashed its profit forecast to £95m ($162m), against the £138m that Saatchi made last year.

This is in stark contrast to the glittering growth that characterised Saatchi's early years. The story starts in 1970 when the Saatchi brothers – Charles and Maurice – opened an advertising agency in London.

The fall began in 1986 with the acquisition of the Ted Bates agency, shortly after the departure of Mr Martin Sorrell who resigned as finance director to run the rival WPP Group. The Bates deal turned Saatchi into the world's biggest advertising agency, but the acquisition was marred by a string of staff defections and account losses.

Saatchi's share price collapsed and has never really recovered, as the company has sapped the market's confidence with a succession of blunders.

There was the abortive attempt to acquire Midland, the British banking group, and then an ill-timed rights issue last summer. Earlier this month there was a rumpus at the news that the brothers had been treated to hefty increases in salaries and share options in the last, somewhat lacklustre financial year.

Nevertheless, Saatchi always managed to maintain growth. But in January, when the main board scrutinised the first-quarter figures, it became apparent that the growth had come to a halt.

On Tuesday, Mr Maurice Saatchi broke the news that profits would fall this year to the annual meeting, from which his brother was characteristically absent. He then held meetings with some of Saatchi's larger institutional investors. It was his first significant contact with the London investment community for a year.

Saatchi has run into problems in its US advertising interests, which form the biggest single part of its business. The US agencies have suffered a series of account losses. Some of the losses are attributable to client conflict after the Bates acquisition. But Saatchi has since lost other accounts. It has won enough new business to compensate but the new accounts will not make a meaningful contribution until next year.

These problems have been exacerbated by a slowdown in US advertising. This is partly due to economic uncertainty and partly to the highly leveraged bids and buy-outs that have blitzed US industry in recent years, leaving many major advertisers with massive debts.

Some of Saatchi's biggest clients have postponed campaigns. Its advertising agencies outside the US have remained relatively resilient, although Mr Sinclair said it now detects a similar slowdown in the UK.

The critical question is whether Saatchi is suffering to a greater extent than the rest of the industry. Other US agencies report a slowdown but not to the same degree as Saatchi.

Meanwhile, Saatchi has to offer the same standard of service to its clients, but without its usual rate of revenue growth. Advertising is an industry with high fixed costs. When revenue rises, profits grow at a far faster rate. If revenue falters, the fall in profits is equally exaggerated.

Saatchi has always known advertising was a cyclical sector and a few years ago diversified into management consultancy to broaden its business base. Unfortunately for Saatchi, its consultancy interests have also experienced a downturn.

Hay, the human resources consultants in Washington which form the biggest part of the consultancy business, and CPC, a property consultancy in Los Angeles, both over-estimated the likely level of growth for the year and incurred unnecessary expansion costs as a result.

At first glance both businesses seem to have fallen victim to over-optimism. But the story of Hay may have wider implications. Its problems began a year ago when the original senior managers reached the end of the profit related payments or "earn-outs" negotiated when Saatchi bought the business. They left and were replaced by a new team. It was this team that misjudged this year's growth.

Almost all Saatchi's acquisitions are negotiated on an earn-out basis, as are those of other marketing groups like WPP and WCRS. It is generally expected that the original vendors will leave at the end of their earn-outs and the parent companies then install new senior managers.

Most of the marketing acquisitions are so recent that they have not yet reached the end of the earn-outs. It remains to be seen whether they, like Hay, encounter problems when the original managers leave.

Saatchi had originally hoped to stage a series of ambitious acquisitions to expand its consultancy interests. But the weakness of its share price has scuppered its plans. As one analyst said, it will be a "long, long time" before Saatchi is able to use the stock market to finance acquisitions.

In the meantime, the group is being bandied about as an acquisition target. The castlist of prospective predators ranges from Mr Robert Maxwell, the British media magnate, to Mr Bob Jacoby, the former head of Ted Bates, who is said to have sworn revenge upon the Saatchis for ousting him from Bates. The Saatchi story seems set to run and run.

# Nestlé and Suchard boost profits and increase dividends

**By William Dullforce in Geneva**

NESTLE and Jacobs Suchard, the Swiss foods groups which last year fought for control of Rowntree, the UK confectioner, both reported substantial increases in 1988 profits and proposed higher dividend payouts yesterday.

Nestlé posted a 11.5 per cent climb in net earnings to SFr2.04bn ($1.26bn). Jacobs lifted its net by 15.8 per cent to SFr307m.

The Nestlé board proposes to raise the dividend from SFr150 to SFr175 a share and from SFr30 to SFr35 per participation certificate.

In addition, Nestlé said it planned a 1-for-20 rights issue "provided market conditions are favourable." Issue prices would be decided later but would be identical for the registered and bearer shares, thereby, the company said, conferring a higher value to the rights attached to the bearer shares.

This is clearly intended as a sop to angry bearer share holders who saw the price of their stock plummet when Nestlé announced in October that it was opening its registered stock to foreign ownership. The bearers have been trading recently at a (greatly reduced) premium of around 9 per cent to the registered shares.

The dividend payout will total SFr612.5m, or 30.1 per cent of consolidated net earnings, compared with 27.9 per cent in 1987. This, too, may be seen as a gesture to critics who have complained that the company has been paying shareholders too small a portion of its profits.

Nestlé intends to issue no more participation certificates beyond those needed to cover the rights issue. Accordingly, the new reserve capital which the board plans to create will be in the form of 171,650 registered shares and 3,350 bearer shares.

Consolidated sales, reported earlier, climbed by 15.4 per cent to SFr40.7bn, the increase being due in part to the consolidation of Rowntree and Buitoni (also bought last year) in the figures for the second half.

The ratio of net earnings to sales fell from 5.2 to 5 per cent, the decline in the margin being due exclusively to non-recurrent financial costs in connection with the acquisitions and to restructuring expenses, Nestlé said.

Jacobs Suchard raised its net earnings by SFr42m to SFr307m on a previously announced SFr6.4bn turnover, up by 4.6 per cent.

The net profit posted is lifted to SFr343m by including part of the SFr430m extraordinary profit it secured when it sold its Rowntree stock to Nestlé.

The extra SFr36m covers the 10 per cent bonus Jacobs Suchard had previously announced it would pay shareholders from its Rowntree windfall. Including this bonus, the proposed 1988 dividends are SFr215, up from SFr165, per bearer share and SFr21.50 (SFr16.50) per participation certificate.

# Sulzer sells diesel engine business to MAN

**By Andrew Fisher in Frankfurt**

SULZER BROTHERS, the Swiss engineering company, is selling its loss-making diesel engine business to MAN of West Germany in a deal that marks a further concentration in the depressed world shipbuilding sector.

The German group's MAN B & W Diesel division, with plants in Germany and Denmark, already has a strong international position in marine diesel engines. Through the addition of Sulzer's diesel activities, including non-marine engines, its turnover in this sector will be around DM1.3bn ($700m); with about 30 per cent coming from the Swiss company.

MAN lost DM17m on marine diesels in its financial year to September 30, 1988, but it hopes to move into the black in 1988-89 after closing its Copenhagen factory cutting capacity at Augsburg in Germany.

Sulzer's exit from the marine engine industry marks the end of a tradition stretching back about 80 years.

Growing lower-cost competition from Asia, as shipbuilding has become predominantly a Far Eastern industry, has put increasing pressures on European producers.

The two companies gave no price for the deal. Sulzer said its diesel engine division, which has plants in Winterthur (Switzerland) and in France had been losing money for several years.

# RTZ celebrates record profits

**By David Waller**

RTZ CORPORATION, the world's largest mining group, yesterday delighted the London stock market with a record £427m ($734m) in net attributable profits for 1988, an increase of 53 per cent over the £279m made in the previous year and at the top end of City expectations.

The result was achieved on the back of booming base metal prices. Average prices rose 47 per cent in sterling terms, helping the metals businesses more than double their profits from £93m to £215m.

For the whole group, turnover rose 19 per cent to £4.99bn. Fully diluted earnings per share climbed 50 per cent from 33.52p to 50.27p per share. The final dividend of 10.75p – 8.3p last year – took the full year payout to 15p, a 30 per cent increase.

Mr Derek Birkin, RTZ's chief executive, said yesterday: "After years of restructuring and reorganisation, 1988 was the year in which everything came right."

RTZ shed businesses worth £919m – including Roadstone, Castle Cement and its oil and gas interests – during 1988, and spent £528m on acquisitions such as the takeover of MK Electric.

The biggest step was the agreement to acquire British Petroleum's worldwide mineral assets for £2.4bn. All the company would say on the deal yesterday was that the process of "due diligence" on the BP assets was nearing completion. The company refused to comment on how it might finance the acquisition.

Overall, RTZ's natural resources division – which embraces industrial minerals and the metals businesses – improved its profits by 62 per cent to £325m. The related industrial sector contributed £122m against £98m in 1987.

Among the minerals businesses, RTZ Borax performed "solidly," with earnings up from £84m to £114m including an £18m exceptional credit on the disposal of an undeveloped copper and silver deposit in Montana.

Related industries were helped by a better-than-expected performance from MK Electric, the UK electrical accessories company bought in December 1987 after a fiercely contested takeover. MK's operating profits rose from £21.6m to £27.6m.

Net earnings included £18m from businesses sold during the year. There was an exceptional gain of £354m profit on the disposal proceeds. RTZ's debt:equity ratio fell to 7:93 (24:76 in 1987).
Lex, Page 26



# Thorn in Chrysalis record deal

**By Raymond Snoddy in London**

THORN EMI, the electronics and entertainment group, is to take over 50 per cent of Chrysalis records, the UK independent record company whose roster of artists includes Jethro Tull, Pat Benatar, the Waterboys and Debbie Harry.

The deal could be worth $104.1m over the next four years, depending on volume and profit growth.

Mr Chris Wright, the co-founder of Chrysalis, conceded yesterday that the deal was a symptom of the enormous competition for rights and artistes in the international music business and the increasing difficulties faced by independents.

Following well-publicised losses in the US, it had been essential for Chrysalis to see that "the company had a clear-cut future."

Under yesterday's deal, which is subject to British Government and shareholder approval, Chrysalis will benefit from Thorn's distributional and marketing muscle.

Thorn Music, which operates in 37 countries, will also have the option to acquire the remaining

Debbie Harry: star name on Chrysalis roster

50 per cent of the Chrysalis record business after March 1999.

Thorn said it was its intention eventually to take over the entire record business.

In certain circumstances, such as the unexpected withdrawal of Mr Wright, or if the business was prospering to an exceptional degree, the complete acquisition could come after March 1996.

The Chrysalis record business has a current annual turnover of more than $100m.

Speculation about its future has been mounting for the past few months and since September last year the share price has risen from 100p to 186p.

Mr Wright said yesterday that at every stage the possibility of suspending the Chrysalis share price had been considered but that professional advisers had said it was "neither necessary nor appropriate."

The Thorn EMI acquisition, through its EMI Music Worldwide division, excludes the music publishing, recording studios, broadcasting and record and video export business of Chrysalis.

Mr Richard Branson, chairman of the rival Virgin group, last night welcomed the deal because it ended the months of uncertainty at Chrysalis Records.

Mr Branson claimed that on a comparable basis the deal valued Virgin's worldwide record interests at $1bn, excluding such interests as retail, video, property and travel.

# Crediop sale to San Paolo agreed

By Alan Friedman in Milan

AGREEMENT was reached last night on the most important operation to date of a series of planned restructuring projects in Italian banking: the gradual acquisition by Istituto San Paolo di Torino, the wealthy Turin bank, of a 40 to 50 per cent equity stake in Crediop, the Rome-based corporate finance and investment banking concern.

San Paolo is expected to spend up to L1,300bn ($963m) on the deal, which will create Italy's first large diversified commercial banking, medium-term finance, investment banking and financial services group.

The deal will create a banking group with more than L100,000bn of assets, coming within a whisker of Banca Nazionale del Lavoro (BNL), Italy's biggest bank.

BNL will benefit indirectly from the complex San Paolo-Crediop deal because two of Crediop's shareholders – INA, the state insurer, and INPs, the state pension organisation – are to sell their combined 30 per cent stake in Crediop to San Paolo and then use the proceeds to subscribe a planned capital increase for BNL, in which they are also shareholders.

Following the sale of the INA and INPs equity stakes, a Crediop rights issue will be reserved to San Paolo; the latter will gain an additional 5 per cent stake in Crediop through this issue, paying not with cash but by transferring some of its medium-term credit divisions to Crediop.

This issue will dilute the 65 per cent stake in Crediop now owned by the Cassa Depositi e Prestiti, the postal savings agency.

In a third phase of the deal, San Paolo will buy more Crediop shares from the Cassa Depositi until both San Paolo and the Cassa each control around 40 or 50 per cent of Crediop.

The deal was approved on Tuesday evening during a meeting called by Mr Giuliano Amato, Italy's Treasury minister, and attended by executives of the two banks and by Mr Carlo Azeglio Ciampi, Governor of the Bank of Italy.

Mr Paolo Baratta, chairman of Crediop, last night described the deal as "an intelligent operation because it creates an alliance with real prospects of synergies and strength in the Italian banking system."

● Banco di Roma, the smallest of the three commercial banks controlled by the IRI state holding group, yesterday announced a return to profit for 1988. The undercapitalised Banco di Roma, which is shortly to go ahead with a L1,000bn capital increase, made a L45.9bn net profit in 1988, against a break-even result in 1987.

# Kingfisher divisions register firm growth

By Maggie Urry

KINGFISHER, the new name for Woolworth Holdings, the British retail group, yesterday reported a strong rise in profits – in spite of the difficult trading conditions prevailing in the retail industry.

Pre-tax profits, stripping out exceptional items and property sale profits, rose by 29.5 per cent to £175.3m from $299m in the year to end-January.

The results were ahead of analysts' best expectations and shares rose on the news, although by the close of business they fell back to 268p, unchanged on the day.

Mr Geoffrey Mulcahy, chief executive, attributed the company's success to the "strategy of targeting attractive growth markets, building market leadership and managing costs."

He said sales growth in the four retail divisions ranged from 5 to 10 per cent on a comparable basis in spite of the slowdown in consumer spending growth.

Sales growth was continuing since the year-end on a like-for-like basis.

Turnover during the year rose by 22.5 per cent to £2.7bn. Each of the five trading areas showed higher profits and each of the retail chains increased their market share.

B&Q, the do-it-yourself retailer, lifted operating profits by 26.9 per cent to £76.4m. Comet, the electrical chain, increased profits 26.9 per cent to £35.5m.

The Woolworth high street chain achieved an 11.3 per cent rise to £50.2m in spite of a reduction in selling area of 5 per cent. Superdrug, the drugstore chain helped by two acquisitions, showed a 70.8 per cent rise to £22.2m.

Chartwell Land, Kingfisher's property company, produced a 14.1 per cent profits rise to £59.8m, including realisation profits of £4.1m (£8.4m).

Mr Mulcahy said earnings per share had grown at a compound rate of 54 per cent a year over the past six years, since the institutional buy-out of the group.

He said he was confident of further growth even though trading conditions were likely to remain competitive for a while. Kingfisher's retail businesses aimed to offer shoppers the most attractive combination of choice of merchandise, value and service.

Fully diluted earnings per share rose 18.8 per cent to 25.9p. The final dividend is to rise by 20 per cent to 7.3p, giving a total for the year of 10.5p, up 16.7 per cent.

See Lex, Page 26

# Rank in Florida venture

By John Thornhill in London

RANK Organisation, the British leisure and entertainment group, is expanding its activities in the US through the acquisition of a 50 per cent stake in a Universal Studios entertainment project in Orlando, Florida.

Rank is to pay about $150m for the stake from Cineplex Odeon, operator of 1,800 cinema screens in the US. MCA, the US entertainment group which runs the Universal Studio Tour in California, owns the other half of the project.

The 444-acre Universal Studios site in Florida contains a film and television studio. A $500m theme park, due to open in May 1990, is expected to attract 6m visitors annually to its rides and shows based on such films as ET, King Kong, Back to the Future and Jaws.

Mr Steven Spielberg, the US film director, is to act as creative consultant.

Rank and MCA will each invest an additional $50m in developing the attraction and will jointly run the project.

The two companies are considering a similar collaboration in Europe.

# ANA buys Austrian stake

By Judy Dempsey in Vienna

ALL NIPPON Airways (ANA), Japan's second largest airline, is to buy a 3.5 per cent share in Austrian Airlines, the state-controlled carrier, expected to rise later to 5 per cent.

The deal will take place in May when Austrian Airlines will raise its nominal capital by Sch400m ($30.4m) to Sch2.2bn. Each share will be worth a nominal Sch1,000 and it is understood that 8.5 per cent will be bought by ANA, 7 per cent by Swissair, 12 per cent will be earmarked for domestic institutional investors and the remainder will be sold to the public.

This second issue will reduce the state's holding to 61.4 per cent. Last June, 24.8 per cent of its holding, the equivalent of 435,000 shares, was sold to the public. The Government plans to reduce its stake further to 51.9 per cent in 1990 when Austrian Airlines plans to issue a third tranche on the Vienna Stock Exchange. ANA's holding will then be increased to 5 per cent and Swissair's to 10 per cent.

Austrian Airlines intends to develop a Vienna-Moscow-Tokyo route in a joint venture with ANA, and Aeroflot, the Soviet carrier.

# Hoechst profits soar 31.5% to DM4.1bn

By Andrew Fisher in Frankfurt

HOECHST, the West German chemical concern, has made a strong start to this year after raising group pre-tax profits by 31.5 per cent to DM4.1bn ($2.2bn) in 1988. It said there were no signs of a fall-off in business in the near future, with orders running at a high level.

Mr Jürgen Dormann, the finance director, said last year's improvement covered all important markets and most product sectors. Hoechst had reckoned on a good year "but we were still mistaken – things went even better than we anticipated."

Group turnover increased by 10.8 per cent to DM41bn, with a 6.2 per cent rise in Germany to DM9.8bn and 12.4 per cent abroad to DM31.1bn. At parent company level, taxable profits showed an 18 per cent gain to DM2bn on sales which were 15 per cent higher at DM15.9bn. Hoechst said sales and earnings remained high in the first two months of 1989.

In volume terms, group sales advanced by 8 per cent last year. Business in chemicals, dyes, fibres and fibre intermediates, and plastics developed at a rate above the company average. Hoechst was also able largely to offset higher raw material costs for organic chemicals and plastics by increased selling prices.

Sales of pharmaceuticals abroad picked up again after several weak years, but remained sluggish in Germany, where the Government has introduced reforms to cut the cost of health care. The group continued its rationalisation efforts in this and the depressed agricultural chemicals sector.

Hoechst is the second of Germany's three big chemical concerns to report its results for the year. Bayer announced group pre-tax profits 23 per cent higher at DM3.8bn.

A strong contribution came from the US where it bought Celanese two years ago. This was merged with its existing US activities to form Hoechst Celanese, which last year earned $250m on sales of $5.7bn.

# COB allows Cerus to bid for Duménil

By George Graham in Paris

THE Commission des Operations de Bourse (COB), France's stock market regulatory authority, yesterday gave a qualified approval to the paper bid for Duménil-Leblé, the financial services company, by Cerus, the French holding company of Mr Carlo De Benedetti.

The agreed bid, announced in January, has been held up for two months by the COB's inquiry into the methods used to value Duménil. Cerus is offering five of its own shares for every two of Duménil's, plus a FFr40 ($6.3) cash payment to cover this year's dividend distribution.

In a statement issued yesterday the COB said that Cerus's aim was to gain a qualified majority of the voting rights of Duménil, to arrange an extraordinary shareholders' meeting which would approve the merger of the two companies.

It asked financial intermediaries to ensure that clients who had already accepted the Cerus bid knew they could still withdraw their acceptances.

"Nothing allows one to affirm that the values retained in an eventual merger will be the same as those proposed in the offer," the statement said.

But Mr Jacques Letertre, chairman of Duménil, said in a recent newspaper interview that the merger valuation could prove to be less favourable to Duménil shareholders than the offer price.

The COB said that the criterion used to establish the parity of five Cerus shares for two Duménil – a weighted average of stock market prices in the period preceding the offer – "cannot alone be considered an objective element sufficient for the fixing of an exchange parity in a public offer."

The statement says that criteria usually adopted alongside stock market prices for such valuations, such as results and net asset values, had not been used.

Consolidated accounts for 1988 are not far enough advanced, it says, and the changes in the structures of the two companies during 1988 prevent the use of 1987 accounts for the comparison.

Cerus, which with its Italian parent CIR already controls 30.3 per cent of Duménil, made no official comment yesterday on the COB's reservations, but is understood to believe that these reservations will not prevent it being successful in its offer.

# Valeo and Epeda improve

By Paul Betts in Paris

VALEO, the leading French car components group, doubled its consolidated net profits to FFr890m ($140.4m) last year from profits of FFr440m a year earlier. Group sales rose 33 per cent to FFr16.5bn.

Another French car components supplier, Epeda-Bertrand Faure, also reported higher profits of FFr250m in 1988 compared with FFr202m in 1987. Epeda's sales climbed 29 per cent to around FFr8bn.

Valeo, which launched an unsuccessful hostile takeover bid against Epeda last year, also announced yesterday a new capital increase involving a FFr800m bond issue coupled with equity warrants which will raise a further FFr890m if all the equity warrants are converted over the next two to five years.

Mr Noel Goutard, Valeo's chairman, said that the company had decided to double its net dividend payout this year to FFr8 a share from FFr4 a share the previous year.

Mr Goutard said that the first half of this year should produce another strong performance for Valeo, which was benefiting from the buoyant international car market.

Valeo's operating profits rose to FFr1.7bn last year from FFr969m in 1987.

The company reduced its debts substantially from FFr2.1bn at the end of 1987 to just under FFr1bn today. Investments also increased by 69 per cent last year to FFr1.4bn from FFr800m the previous year.

Mr Pierre Richier, the chairman of Epeda, announced several international joint ventures designed to increase the penetration of his group's car seat manufacturing operations.

# Générale de Banque up 16.3% at BFr7.5bn

By Tim Dickson in Brussels

GENERALE de Banque, the largest of Belgium's "big three" commercial banks, yesterday announced that group net profits for the 1988 financial year increased by 16.3 per cent to BFr7.5bn ($191.8m).

Net earnings per share were 9.8 per cent higher at BFr855 a share, reflecting in large part the new shares created by the group in connection with its planned alliance with Amro Bank of the Netherlands.

The consolidated balance sheet total of Générale de Banque rose by BFr156bn, or 7.2 per cent, to BFr2,331bn, a performance explained mainly by a 16.4 per cent upturn in customer deposits and a more than 30 per cent jump in own-funds and equivalent assets.

Credit facilities granted to the private sector rose by BFr170bn to BFr1,129bn, partly offset by a deliberate reduction in interbank activities and in the amount lent to the Belgian public sector.

Générale de Banque said its capital adequacy ratio – own-funds and equivalent assets to balance sheet total – stood at 4.05 per cent at the financial year end, against 3.3 per cent at the end of 1987.

Referring to the proposed marriage with Amro, Baron Paul-Emmanuel Janssen, Générale's chairman, said the last year had been marked by "several common achievements."

# Nordstjernan doubles income

NORDSTJERNAN, the listed real estate and construction group controlled by the Johnson family, more than doubled its profits after financial items to SKr1.59bn ($250m) for 1988 from SKr744m in the previous year, writes Sara Webb in Stockholm.

Much of the increase stemmed from a strong performance at Avesta, the group's stainless steel subsidiary, and from good demand in the construction sector.

The board proposed raising the dividend from SKr0.38 to SKr2.25.

## INTERNATIONAL COMPANIES AND FINANCE

# Salomon expects slide into red in first quarter

By James Buchan in New York

SALOMON, the Wall Street firm that has been plagued by erratic results from securities trading, yesterday revealed it would be in the red for the first quarter of this year because of losses on trading government bonds and commodities.

The overall loss, though described as modest, is an embarrassment to Salomon, which is the pre-eminent trader in US Treasury bonds. Stock in Salomon fell $1⅞ to $24⅜ yesterday morning in response to the unexpected announcement.

The government bond losses apparently occurred over the past month.

Rising expectations of inflation, caused particularly by an increase in producer prices for February, have driven prices of fixed-income securities lower. The losses apparently occurred in arbitrage between different securities.

In the equivalent quarter of last year, Salomon reported earnings of $173m or $1.13 a share. But in the second quarter of 1987, when Treasury bond prices fell, Salomon saw its trading profits collapse and it fared poorly in the last quarter of 1987, after the stock market crash.

In a statement yesterday, Salomon said it would report a "modest loss" for the quarter because of "adverse trading conditions during the past few weeks in the Salomon Brothers government bond operations and the Philipp Brothers commodity operations.

"During periods of high market volatility, the firm's trading operations often show wide swings – sometimes favourable and sometimes adverse.

"The first quarter has been one of those periods. The firm's other operations are doing well and it does not expect a repetition of the first-quarter experience."

# Hyster confirms offers

By Nick Garnett

HYSTER, the largest North American maker of forklifts, confirmed yesterday that it has had four or five firm offers for the business.

The Oregon-based company was put up for sale late last year by its parent, Esco Corporation. The asking price was believed to be $700m-800m.

Mr Phillip Frazier, Hyster's president and chief executive, said Morgan Stanley, the New York merchant bank, was evaluating the offers.

Several Japanese companies were thought to be interested initially. However, Toyota, Japan's biggest lift truck maker, said yesterday it was not considering an offer.

Toyota, ranked number three in the world, announced in October it was investing $37m in a forklift facility near Columbus, Indiana.

Mr Frazier said earlier this week there were two alternatives still open to the company instead of a straightforward sale. One was the flotation of Hyster on the stock market and the other was to continue running the business as it was and within Esco.

Hyster, with sales last year of $770m is the world's fourth largest lift truck maker. It made a profit last year of about $60m.

# Digital Equipment shares plunge

By Roderick Oram in New York

DIGITAL Equipment yesterday joined the growing list of computer and software companies whose forecasts of lower than expected profits are rattling the high technology sector of the stock market.

The stock of DEC, the second largest manufacturer after International Business Machines, plunged $9⅝ to $97⅝ by early afternoon. The rush to sell the stock caused an order imbalance that delayed the start of trading. Nonetheless, it was the most active New York Stock Exchange issue.

Analysts said the company had indicated to them over the past week that its orders in the US for new and old products would be lower than expected. The analysts responded by slashing their profit forecasts for the third quarter to March 31 by around 20 per cent.

Wall Street had been surprised in late January by bigger second quarter profits from DEC than they had forecast because of successful cost cutting and other factors. Encouraged, analysts hoped DEC might nearly match in this quarter the $2.32 a share it earned a year earlier. With yesterday's revisions, the most pessimistic analysts were saying it could have its worst quarter in two-and-a-half years.

Only last Friday, IBM had warned the market of lower than expected profits. In its case, its shipments had been cut because of problems with a semiconductor in a new computer model. It said it had solved the problems and hoped to recover most of the lost ground during the year.

In recent weeks Apple Computer and Microsoft, the leading software company, have also alerted the market to dimmer prospects than they first forecast.

DEC did not immediately spell out its problems to a wider audience than selected analysts but several negative factors are contributing to the weaker performance, analysts said. Orders for old products have slowed from already low levels, while orders for recently introduced equipment might take another few quarters to build up.

Moreover, DEC has gained less market share from IBM than expected while giving ground to other manufacturers. Recently it has lost several large orders, for example, to Hewlett-Packard. Customers are also delaying purchases until more software is available at the end of this year.

In addition, customers have been confused by DEC's creation of a two-tier pricing structure between its Unix and VMS based products.

# SBC seeks KKR bond safeguards

SWISS BANK Corporation, Switzerland's second largest bank, has filed a suit in a Basle court seeking safeguards from RJR Nabisco and Kohlberg, Kravis, Roberts for holders of $120m in bonds lead-managed by the bank in 1986, AP-DJ reports.

The bank said it filed suit on Tuesday, after receiving what it viewed as totally inadequate assurances of protection for the bondholders from KKR and RJR Nabisco.

"The main reason for the lawsuit is that we want to make sure that the bondholders aren't in a worse situation than before the KKR takeover of Nabisco," the bank said.

It added that if it did not receive a satisfactory proposal, it would try to unravel the takeover through further legal action in Switzerland.

In 1986, SBC lead-managed for RJR the $120m dual-currency bond issue on the Swiss capital market, with a coupon of 5⅝ per cent in Swiss francs and 10 per cent in dollars. The bond is due in 2001.

Under the terms of the issue, the lead bank has the right, in the event of the reorganisation of the borrower, to declare the bonds to be immediately due and payable unless such reorganisation includes adequate protection of the bondholders, the bank said in a statement.

# US airlines face booking anti-trust probe

THE US airline industry is bracing for a wide-ranging anti-trust investigation of the way it books passengers on aircraft in response to the proposed merger of the computerised reservation systems owned by American Airlines and Delta Air Lines, writes James Buchan in New York.

The US Justice Department, which has just taken over responsibility for approving airline mergers on anti-trust grounds, is asking American and Delta for more information on the deal they announced last month to put together their computerised reservation systems. "We, of course, are co-operating," said Delta.

Other airlines are also being questioned about their in-house reservation systems, according to industry executives. The department would not confirm this but said it was not unusual to look at industry-wide practices.

American and Delta last month announced they were putting together their systems. Because American's Sabre system, which reaches over 35 per cent of US travel agents, is much larger than Delta's Datas II system, with about 9 per cent, Delta is paying some $650m in cash for its share.

At the heart of the investigation are worries that the owners of the big systems have a competitive advantage over smaller airlines. Opponents of the American-Delta deal say it can only increase the concentration of the industry, which is dominated by seven airlines.

After Sabre-Datas II, the largest systems are United's Apollo; SystemOne, which includes Continental and Eastern; and Pars, shared by TWA and Northwest.

The inquiry is the first big step taken by the Justice Department in commercial aviation since it took over responsibility for airline anti-trust issues from the Transportation Department at the beginning of this year. Said Mr Lee Howard of Airline Economics, a Washington consultant: "They are very interested. This is their first brush with airline industry mergers under their new authority."

# Microsoft and Hewlett claim Apple case gain

By Louise Kehoe in San Francisco

MICROSOFT and Hewlett-Packard claim their defence against Apple Computer's visual display copyright infringement suit was significantly strengthened by a ruling on the first phase of what is expected to be a protracted legal battle with important implications for the computer industry.

Responding to the filing of a formal version of the ruling by the San Francisco Federal judge on Tuesday, the US companies claimed they had established important limitations to Apple's claims. Apple, however, maintains the ruling represents "a significant step forward in our favour."

At issue are programs developed by Microsoft and HP to provide IBM-compatible personal computers with a graphical user interface similar to that on Apple Computer's Macintosh, with icons, overlapping windows and pull-down menus. Apple claims the programs infringe its copyrights.

The Federal judge rejected Microsoft's claim that a 1985 licensing agreement with Apple covered the current version of Microsoft's "Windows," a program which breaks up the computer screen into overlapping sections that can be used to display several application programs simultaneously.

He stated, however, that the agreement gave Microsoft the right to use displays generated by the 1985 version of Windows in future products.

Apple had not disputed this point. Nonetheless, Microsoft lawyers said they intended to prove that many of the visual displays in the current version of Windows could be traced to those in the 1985 version, thus limiting Apple's claims.

In the next phase of the trial, the central issues of whether Apple's copyrights have been infringed and whether its copyrights are valid will be addressed.

Ultimately, the court must decide whether the "look and feel" of a computer system can be protected by copyright or whether computer displays such as those on the Apple Macintosh represent an idea so broadly based that it does not fall within the legal definition of an "original expression."

# Fall at Federal Express

FEDERAL EXPRESS, one of the world's largest package delivery companies, saw income fall in the third quarter, agencies report.

The group, which last year acquired Tiger International, the US air cargo and trucking group, in an agreed $850m bid, said earnings were affected by losses in international express delivery operations and the Tiger deal.

Third-quarter net income fell to $24.8m or 47 cents a share from $36.5m or 70 cents, on sales which rose to $1.8bn from $977.2m last time. In the nine months, to February, net income rose to $143.6m or $2.75 from $132.9m or $2.58, on revenues of $3.5bn, against $2.8bn.

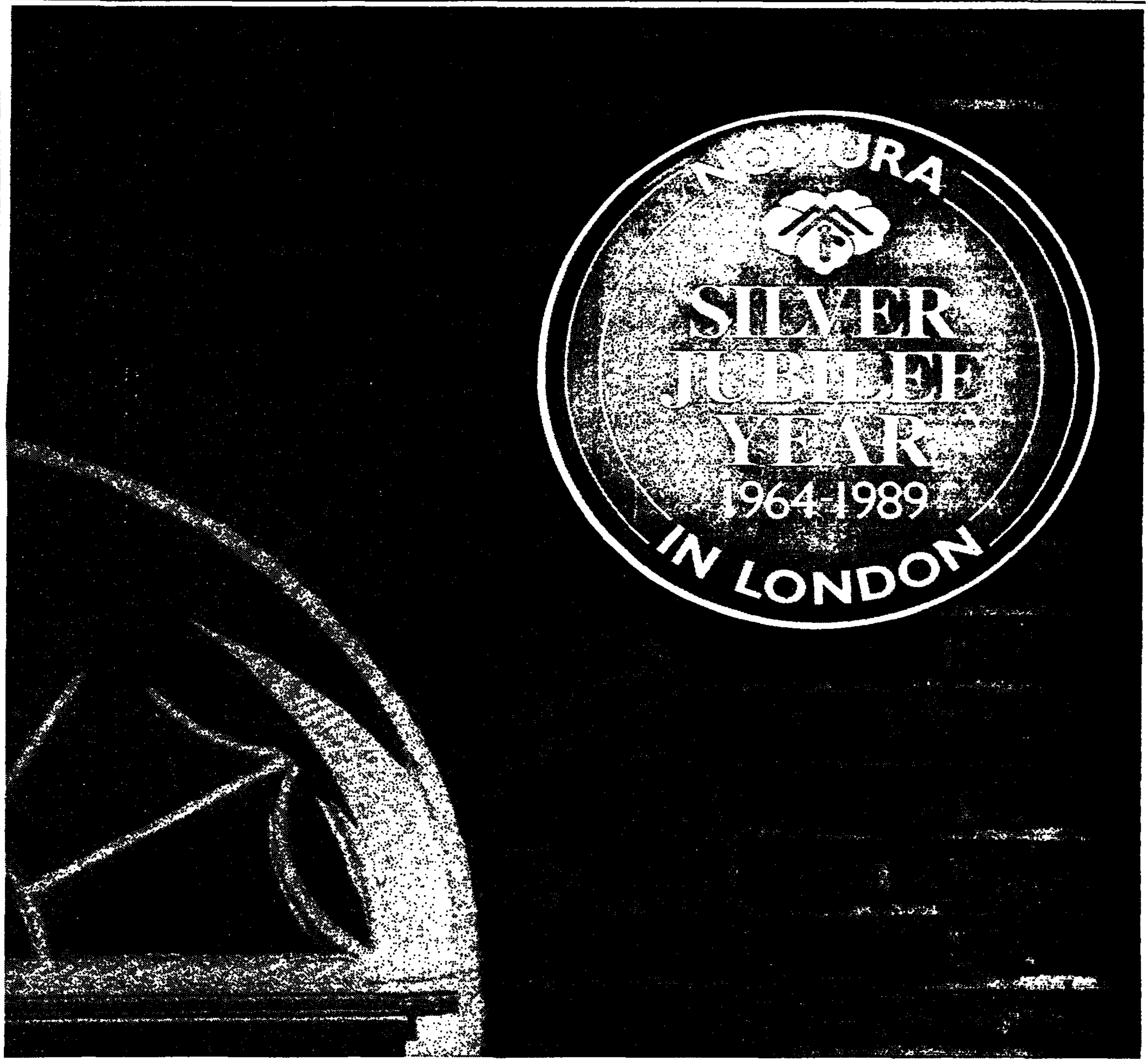
The company added that although it had hoped to reduce losses in the international express business in the third quarter, the expansion of the international network and acquisitions in Europe and the Far East prevented it from achieving its objective.

The inclusion of Tiger also lowered the quarter results because of the seasonal nature of Tiger's business and costs associated with the takeover.

The latest nine-month figures include a gain of $18.1m or 35 cents from the cumulative effect on preceding fiscal years of a change in accounting for income taxes.







# AFP chases a future in property

## Andrew Baxter and Chris Sherwell on Chase Corporation's rescue

This week's rescue of Chase Corporation, the New Zealand property and investment group controlled by Mr Colin Reynolds, marks an important strategic move by AFP Group, the UK-registered company whose key directors are well-known on the Australian corporate scene.

AFP, formed last year to replace AFP Investment Corporation, is international. Although registered in the UK, its headquarters are in Monaco, and the company is listed in Australia and the Netherlands.

Its investments, too, are widespread. AFP has a significant minority stake in Elders IXL, the Australian brewing and pastoral products concern which suffered a blow to its expansion plans this week when the UK's Monopolies and Mergers Commission blocked its proposed takeover of Scottish & Newcastle Breweries.

In the UK, AFP has had management control since 1986 of Gestetner Holdings, the office equipment business, which has been reorganised under AFP's auspices to emphasise international distribution and servicing rather than manufacturing.

The third major strategic investment is ACM, the Australian mining and resources group which recently expanded through the takeover of Armada Resources.

So the investment in Chase marks something of a departure for AFP. It is also a challenge, due to the depressed state of the New Zealand property market.

Indeed, Mr Basil Sellers, AFP's managing director, admitted this week that none of the managers expect any immediate upturn in the local property market, whose malaise since the world stock market crash in October 1987 has largely been responsible for Chase's troubles.

For AFP, which has been looking for a way into the property market, the "terrible drop" in Chase's share price was an opportunity too good to miss.

The stock plunged below 30 Australian cents late last week amid reports that Chase was in financial trouble. Its pre-crash peak was A$6.60 (US$5.43).

AFP had been talking to Mr Reynolds for some time, and in the end edged out the slower-moving British group Trafalgar House and Australian group Adelaide Steamship, which were also negotiating with Chase.

The rescue is in two main parts:

- A NZ$45.6m (US$28.1m) equity injection by AFP through the initial placement of 34m new Chase shares at NZ$0.50 per share, followed by a placement of a further 57m in voting stock at the same price.

This will give AFP 20 per cent of Chase's expanded capital and will give Chase NZ$45.6m. But AFP is also to seek the approval of the New Zealand Commerce Commission to increase its interest in Chase to 40 per cent.

- AFP will purchase 19.9 per cent of Wormald International, the fire protection group in which Chase has a 22 per cent direct holding and its 66 per cent-owned subsidiary Reil Corporation has a further 23 per cent.

At a price of A$2.20 per share, this will give Chase almost A$80m, or NZ$107m. It also offers AFP potential gains if Wormald's recent turnaround in performance continues.

The rescue will bring the New Zealand group a total of NZ$152m and help it to reduce its borrowings of NZ$1.4bn. Chase's shares rallied by seven Australian cents to 42 cents yesterday in response to the deal.

AFP, which does not take a 100 per cent interest in its investments but sees itself as an aggressive investor, has already agreed the strategy to revive Chase with Mr Reynolds.

The intention is to concentrate on property, reducing debt by selling other chunks of its assets.

Chase, meanwhile, is still seeking a buyer for its 89 per cent-owned Hanimex photographic group, for which it hopes to receive at least A$240m, and might entertain the sale of its half-share in the A$490m Myer shopping centre in Brisbane.

Even with the depression in the local property market, Mr Sellers reckons that NZ$45.6m is a "very cheap option over NZ$2bn of real estate assets."

Chase is also to sell its funeral operations business for A$40m (NZ$54m) to a subsidiary of Industrial Equity, the Australian arm of the business empire controlled by Sir Ron Brierley, another New Zealander, as a separate part of the deal.

Chase said that the share placement and asset sales would give it a total of NZ$213m.

As Chase revealed the AFP rescue package, it announced its long-awaited profit results for the six months to December, which showed an equity-accounted operating profit of NZ$16.9m, down sharply from NZ$44.2m in the same period of 1987.

After allowing for the 1987 write-downs of the group's equity investments, the NZ$16.9m figure compared with an overall loss of NZ$77m the previous year.

But the figures suggest that servicing interest obligations has become a problem.

This was a point highlighted by the decision last month of the credit agency Australian Ratings to lower its rating from B plus to triple C and put the group on creditwatch. The agency said that Chase had a "significant gap in recurring income vis-a-vis debt servicing costs," and its move fuelled speculation about the group's future.

In a comment on its various operations accompanying its latest results, Chase acknowledged that trading conditions in the New Zealand property market continued to be "very difficult."

But it also pointed out that almost half its assets were in Australia, and expressed particular delight with the turnaround observed in Wormald's fortunes.

As for AFP, the investment in Wormald is, in the short-term at least, likely to be more fruitful than its Chase stake. Mr Sellers described Wormald as "almost a carbon copy of Gestetner" with a new management team which AFP knew well. AFP is still negotiating over a place on the Wormald board.

The expected rise in profits at Wormald should ease some of Mr Sellers' "extreme disappointment" over the setback for Elders in the UK.

AFP's interest in Elders is held via two routes: through a 50/50 joint venture, with Goodman Fielder Wattie of New Zealand, which holds 18.3 per cent of Elders ordinary shares, and through AFP's 19.9 per cent interest in Harlin Group, which in turn holds 18.7 per cent of Elders ordinary shares.

# State sells shipper for NZ$40m

**By Dai Hayward in Wellington**

THE NEW Zealand Government has sold the state-owned Shipping Corporation of New Zealand for around NZ$40m (US$24.6m).

The buyer is Associated Container Transportation (New Zealand), a joint venture between Cunard Ellerman, the cargo line owned by Trafalgar House, and Blue Star Line.

The price is higher than predicted because the Government has accepted responsibility for some "contingent liability." Mr Stan Rodger, the minister for state-owned enterprises, said the chance of these materialising was small.

The Government has been anxious to sell the Shipping Corporation, but the sale was delayed by an industrial dispute following reflagging of its ships to break the country's maritime union conditions.

Subsequent related court actions have all been settled.

A year ago the Government had to put NZ$100m into the Shipping Corporation, which has had a chequered financial history since it was established in 1974. Mr Rodger said the saga of the corporation was "a dream which did not come true."

The sale has angered the Australian and NZ seamen's unions, which both strongly supported the Australian national container line as their preferred buyer.

ACT is 57.5 per cent owned by Cunard Ellerman.

Mr Eric Parker, chief executive of the parent company, Trafalgar House, said in London that the acquisition was "a continuation of our policy to rationalise and expand Cunard Ellerman's worldwide container shipping interests."

# C&W sells Macao phone stake

**By Michael Murray in Hong Kong and Hugo Dixon in London**

CABLE AND Wireless, the UK-based international telecommunications group, has sold 20 per cent of its Macao telephone offshoot to the state-owned China International Trust and Investment Corporation (Citic).

The value of the deal has not been disclosed but, in London, Cable and Wireless said its significance was more political than financial. Cable and Wireless runs the telephone monopolies in both Hong Kong and Macao and is anxious to retain good relations with the Chinese Government when the two territories are handed back to China.

The move is the latest in a series of deals between Cable and Wireless and mainland China. It has already formed a joint venture with Citic to launch a telecommunications satellite in the region called AsiaSat, and last year sold 0.1 per cent of its HongKong Telecom subsidiary to Guangdong Post and Telecommunications Bureau.

Cable and Wireless will retain a 51 per cent holding in the Macao utility, Companhia de Telecomunicacoes de Macao (CTM). Companhia Portuguesa Radio Marconi (CPRM), which operates Portugal's intercontinental telecommunications services, has increased its stake in CTM from 24 per cent to 28 per cent.

# GEC in definitive power generation deal with CGE

**By Hugo Dixon**

GENERAL ELECTRIC Company of the UK and Compagnie Générale d'Electricité (CGE) of France yesterday signed a definitive agreement to pool their activities in power generation to create a joint venture with annual sales of over £4bn ($6.8bn).

The new venture, GEC Alsthom, will be the largest company in its field in the European Community and the second largest in the world after Asea Brown Boveri, the Swedish-Swiss combine.

The creation of GEC Alsthom follows months of detailed negotiations since the outlines of a deal were announced just before Christmas last year. In two significant respects, however, the final agreement is different from the one previously announced.

First, details of a proposed $300m-400m venture in gas turbines between GEC Alsthom and General Electric of the US have been changed. GE was to have had 33 per cent of this venture, but its stake will be less than 20 per cent.

Second, GEC has kept out of the venture its electrical projects and industrial controls businesses, which have combined sales of about £100m. These will be included in a separate joint venture yet to be negotiated with CGE, said Mr Bob Davidson, managing director of GEC Power Systems.

Mr Davidson, who will be deputy chairman of GEC Alsthom, said he was optimistic there would be no squabbles between shareholders of the sort that have plagued GEC's telecommunications venture with Plessey. "If there are problems in the future, we will overcome them."

However, he refused to specify what arrangements had been put in place to deal with potential disagreements with shareholders. "If our shareholders need to know anything, I am sure they will get to know – not necessarily through the newspapers."

GEC, however, confirmed that detailed clauses allowing either party to buy out the other's shareholding in specific instances had been written into the agreement.

GEC and CGE will have an equal number of directors on a supervisory board.

# Malaysian food group to double paid-up capital

**By Wong Sulong in Kuala Lumpur**

YEO HIAP SENG Malaysia, a leading food and beverage manufacturer, is to undergo a capital restructuring exercise that would almost double its paid-up capital to 83.8m ringgit ($30.8m).

The exercise will restore the stakes held by Yeo Hiap Seng of Singapore to 40 per cent and that of Bumiputras (indigenous Malays) to 30 per cent.

YHS Malaysia will make a one for four bonus issue of 10.92m new shares, followed by a rights issue of 10.92m shares, and special issues of 8.94m shares and 9.31m shares to Bumiputra investors and YHS Singapore respectively, at 1.5 ringgit each.

# Tuna swims into ripples from Indonesia

## John Murray Brown reports on the company threatening to shake up a $3bn industry

MR TEGOEH Soetantyo hardly looks like the man to reshape the world's tuna business. With an ascetic, slightly down-at-heel appearance, this permanently smiling 70-year-old Indonesian Chinese is more like a Buddhist monk than the head of the country's leading food processor, which last November shelled out $280m for Chicken of the Sea, the second largest tuna brand name in the US.

Today – five months later and after surprisingly little press comment – the purchase of this line from the Van Camp range, a subsidiary of the Missouri-based consumer products group Ralston Purina, has put Mr Soetantyo's Management Trust company on the map, sending ripples through the $3bn tuna-canning industry worldwide.

With Chicken of the Sea, Mantrust becomes the first Indonesian company to acquire a piece of corporate America. The purchase also gives it 20 per cent of the US market – a share equivalent to $290m in sales – and instant shelf-space in the world's largest canned-fish market.

Bankers describe it as a classic leveraged buyout (LBO). It immediately doubles the company's turnover and transforms its payroll. Like all LBOs it also provides the company with considerable new debt.

Mantrust today is barely recognisable as the company which started out in the 1950s as a purveyor of biscuits to the Indonesian Army. The company now accounts for 75 per cent of the domestic canned-food market, and is the holding company for more than 20 joint ventures from milk to mushrooms, some with foreign partners.

It supplies Pillsbury's Green Giant label with $20m worth of mushrooms every year, so it is not a total novice in the US market. In 1987 it set up a milk-marketing project with the Minnesota-based Land O'Lakes co-operative. The venture is said to be the largest dairy farm anywhere in the tropics. Mr Soetantyo also likes to recall the company had discussions with Van Camp's main rival, Pillsbury's Bumble Bee tuna label.

For Mantrust the Van Camp buy-out, however, represents uncharted waters. And like it or not, the Indonesian family business now finds itself taking the lead role in what promises to be a major restructuring of world tuna trade, with wide repercussions for the troubled US industry.

Tuna canning is a labour intensive business. With the recent US legislation on minimum wages, a shake out in the US industry looks inevitable. All US mainland facilities are closed down, and plants have also shut in Hawaii.

In American Samoa the new laws have added an estimated $3.6m on cannery payrolls. To survive fisheries experts say companies will have to relocate to sites closer to the fishing grounds where labour costs are low.

Ironically, Mantrust's takeover of an existing US operation has turned the boardroom tables on the US industry and taken everyone by surprise – even Indonesian observers.

Locally Mantrust is still considered something of a poor country cousin to Indonesia's more thrusting Chinese groups, like Liem and Astra. Internationally it is unknown. The group has kept to its core business, while others diversified into property and banking.

For all its distant forbears, Mantrust has spurned the cosy network of overseas Chinese money. It has also thrived without official patronage, which is the lifeblood of so many Indonesian private groups.

As for Mr Soetantyo's approach to management it might best be described as green-fingered. His partnership with the co-operative movement dismays many businessmen but has earned the company a special place in a country where 80 per cent of the 175m population still make a living from small agricultural holdings.

Mantrust had problems recently with a dairy co-operative, which reneged on its debts and forced Mantrust to withdraw support. Working with an established, modern-marketing outfit like Van Camp could strain relations further still.

Clearly a lot hangs on the project. The deal transforms the Mantrust balance sheet, doubling the company's current turnover of around $300m. New investment will be needed. The company already has a stake in the state co-operative fleet Perikanan Samudra Pusat. It is now building 500 pole-and-line boats at its yard in East Java, to feed 10 new cold-storage units in the Eastern Archipelago.

Mr Soetantyo says its cannery on Bali – now running at 20,000 tonnes a month – will be expanded to maintain Chicken of the Sea's US market share and leave capacity to target Europe. There are even rumours it intends to dismantle Van Camp's Samoan canneries to relocate in Indonesia.

In the short term Mantrust must be worried at the new debt. Mr Soetantyo said only that Credit Suisse and Prudential Bache had put up 80 per cent.

Over the longer term most analysts agree Mantrust should have a clear lead over its US opposition. For Mantrust the first task will be to put some backbone into the distribution and sales network.

Mr Soetantyo says the board and management will stay. However Mr Jose Munoz, a Puerto Rican and a former official with the US Tuna Boat Owners Association is to be the new president.

If the co-operatives cannot deliver, Mr Munoz will be only too happy to put business the way of his friends in the US fleet.

## UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

| | Indl. prod. | Mfg. output | Eng. order | Retail vol. | Retail value | Unem-ployed | Vacs. |
|---|---|---|---|---|---|---|---|
| 1987 | | | | | | | |
| 4th qtr. | 108.0 | 109.4 | 29.1 | 133.3 | 210.8 | 2,659 | 252.1 |
| 1988 | | | | | | | |
| 1st qtr. | 107.7 | 110.8 | 31.1 | 135.3 | 172.3 | 2,495 | 248.9 |
| 2nd qtr | 108.3 | 112.4 | 31.2 | 137.8 | 181.2 | 2,354 | 255.2 |
| 3rd qtr. | 110.8 | 116.2 | 32.0 | 139.2 | 188.0 | 2,228 | 244.3 |
| 4th qtr. | 110.8 | 117.0 | 33.1 | 140.8 | 228.9 | 2,101 | 244.9 |
| April | 108.7 | 111.8 | 31.0 | 136.3 | 180.4 | 2,403 | 255.9 |
| May | 109.4 | 112.6 | 31.3 | 137.7 | 180.4 | 2,354 | 254.6 |
| June | 108.8 | 113.1 | 31.2 | 137.9 | 182.4 | 2,324 | 255.1 |
| July | 110.8 | 115.7 | 31.7 | 140.0 | 191.4 | 2,267 | 249.7 |
| August | 110.4 | 116.1 | 32.1 | 138.5 | 187.6 | 2,228 | 242.7 |
| September | 111.2 | 116.7 | 32.0 | 139.4 | 186.6 | 2,192 | 240.3 |
| October | 110.8 | 116.5 | 32.4 | 141.2 | 196.8 | 2,158 | 251.2 |
| November | 111.3 | 117.2 | 33.0 | 140.4 | 218.6 | 2,106 | 245.2 |
| December | 110.4 | 117.3 | 33.1 | 140.6 | 272.2 | 2,037 | 238.3 |
| 1989 | | | | | | | |
| January | 109.1 | 116.5 | 32.8 | 137.4 | 184.1 | 1,966 | 229.2 |
| February | | | | 140.8 | | 1,957 | 228.1 |

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

| | Consmr. goods | Invest. goods | Intmd. goods | Eng. output | Metal mnfg. | Textile etc. | Housg. starts* |
|---|---|---|---|---|---|---|---|
| 1987 | | | | | | | |
| 4th qtr. | 108.8 | 106.8 | 108.0 | 107.4 | 112.0 | 103.4 | 17.0 |
| 1988 | | | | | | | |
| 1st qtr. | 109.6 | 106.1 | 107.5 | 107.3 | 118.5 | 103.8 | 19.8 |
| 2nd qtr | 111.6 | 109.5 | 106.8 | 108.9 | 120.5 | 101.1 | 22.3 |
| 3rd qtr | 113.7 | 114.6 | 106.2 | 115.3 | 123.9 | 102.1 | 20.4 |
| 4th qtr | 114.9 | 115.6 | 107.4 | 116.2 | 122.5 | 102.5 | 18.5 |
| April | 110.2 | 107.5 | 106.5 | 106.6 | 122.4 | 100.0 | 21.0 |
| May | 112.6 | 108.7 | 106.9 | 109.0 | 120.9 | 102.0 | 19.8 |
| June | 111.9 | 111.2 | 106.6 | 112.9 | 118.9 | 101.0 | 23.5 |
| July | 112.5 | 113.4 | 108.3 | 114.0 | 125.0 | 104.0 | 20.8 |
| August | 113.1 | 114.9 | 106.6 | 115.0 | 126.0 | 102.0 | 20.5 |
| Sept. | 114.6 | 115.6 | 108.1 | 118.0 | 120.0 | 101.8 | 20.1 |
| October | 114.0 | 115.3 | 107.5 | 118.6 | 128.0 | 101.0 | 19.6 |
| November | 115.4 | 116.4 | 107.3 | 117.0 | 118.8 | 102.0 | 21.5 |
| December | 115.2 | 115.0 | 106.8 | 115.9 | 123.0 | 104.0 | 14.4 |
| 1989 | | | | | | | |
| January | 116.2 | 114.4 | 104.2 | 118.0 | 140.0 | 101.0 | 19.2 |

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

| | Export volume | Import volume | Visible balance | Current balance | Oil balance | Terms trade | Reserve US$bn |
|---|---|---|---|---|---|---|---|
| 1987 | | | | | | | |
| 4th qtr. | 111.9 | 120.8 | -3,288 | -1,988 | +1,873 | 97.6 | 44.33 |
| 1988 | | | | | | | |
| 1st qtr. | 108.2 | 117.1 | -3,874 | -2,835 | +896 | 97.0 | 44.64 |
| 2nd qtr | 110.3 | 126.6 | -4,428 | -2,861 | +584 | 98.5 | 48.52 |
| 3rd qtr | 110.2 | 138.2 | -5,753 | -3,724 | +373 | 99.1 | 50.48 |
| 4th qtr. | 108.9 | 137.3 | -6,251 | -5,061 | +401 | 97.3 | 51.07 |
| March | 107.6 | 115.7 | -1,826 | -878 | +228 | 96.8 | 44.84 |
| April | 113.9 | 123.3 | -1,297 | -848 | +389 | 98.2 | 47.86 |
| May | 107.7 | 126.4 | -1,712 | -1,124 | +223 | 98.7 | 48.53 |
| June | 111.6 | 130.2 | -1,572 | -963 | +152 | 98.7 | 48.52 |
| July | 107.2 | 144.9 | -2,661 | -1,985 | +70 | 98.6 | 48.53 |
| August | 108.8 | 127.6 | -1,687 | -970 | +177 | 100.0 | 50.94 |
| September | 114.1 | 131.9 | -1,473 | -787 | +164 | 99.1 | 50.48 |
| October | 102.7 | 138.5 | -2,858 | -2,256 | +67 | 97.3 | 50.05 |
| November | 107.1 | 131.5 | -1,986 | -1,495 | +732 | 97.6 | 51.04 |
| December | 108.1 | 133.9 | -1,763 | -1,365 | +141 | 98.7 | 51.68 |
| 1989 | | | | | | | |
| January | 114.5 | 146.1 | -2,098 | -1,690 | +103 | 100.3 | 51.71 |
| February | | | | | | | 51.66 |

FINANCIAL- Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; all seasonally adjusted. Clearing Bank base rate (end period).

| | M0 % | M1 % | M3 % | Bank lending £m | BS inflow £m | Cnsmer. credit† £m | Base rate % |
|---|---|---|---|---|---|---|---|
| 1987 | | | | | | | |
| 4th qtr. | 4.9 | 22.2 | 22.9 | +11,382 | 3,087 | +946 | 8.50 |
| 1988 | | | | | | | |
| 1st qtr. | 5.2 | 20.6 | 20.8 | +12,808 | 3,051 | +965 | 8.50 |
| 2nd qtr | 6.6 | 18.6 | 20.5 | +15,343 | 4,173 | +1,165 | 9.50 |
| 3rd qtr. | 7.7 | 17.4 | 22.7 | +15,740 | 3,182 | +1,082 | 11.50 |
| 4th qtr. | 7.7 | 14.4 | 20.4 | +13,379 | 3,166 | +873 | 12.70 |
| May | 6.4 | 20.6 | 18.6 | +3,796 | 1,358 | +382 | 7.50 |
| June | 7.3 | 18.6 | 20.4 | +5,144 | 1,239 | +429 | 9.50 |
| July | 6.9 | 18.1 | 21.1 | +6,158 | 1,362 | +345 | 10.50 |
| August | 7.4 | 15.8 | 20.8 | +3,369 | 1,179 | +471 | 12.00 |
| September | 8.5 | 17.2 | 22.7 | +5,875 | 821 | +276 | 12.00 |
| October | 7.7 | 13.6 | 19.8 | +4,269 | 1,583 | +186 | 12.00 |
| November | 7.7 | 11.7 | 20.6 | +3,857 | 795 | +392 | 13.00 |
| December | 7.7 | 14.3 | 20.6 | +6,179 | 819 | +295 | 13.00 |
| 1989 | | | | | | | |
| January | 7.4 | 11.4 | 21.4 | +5,585 | 784 | +224 | 13.00 |
| February | | | | | | | 13.00 |

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

| | Earn-ings* | Basic matls.* | Whsale. mnfg.* | RPI* | Foods | Reuters* cmdty. | Sterling |
|---|---|---|---|---|---|---|---|
| 1987 | | | | | | | |
| 4th qtr. | 120.5 | 96.4 | 109.8 | 103.2 | 101.7 | 1,683 | 74.9 |
| 1988 | | | | | | | |
| 1st qtr. | 121.6 | 96.9 | 111.0 | 103.7 | 103.5 | 1,747 | 75.3 |
| 2nd qtr | 124.6 | 97.8 | 112.5 | 105.2 | 104.6 | 1,817 | 77.6 |
| 3rd qtr. | 127.5 | 98.8 | 113.9 | 106.6 | 104.7 | 1,902 | 75.9 |
| 4th qtr. | 131.9 | 100.1 | 115.2 | 109.9 | 105.7 | 1,887 | 77.5 |
| May | 124.1 | 97.7 | 112.6 | 106.2 | 104.7 | 1,778 | 78.4 |
| June | 125.9 | 98.5 | 113.0 | 106.6 | 104.8 | 1,936 | 76.2 |
| July | 126.3 | 98.4 | 113.5 | 106.7 | 104.9 | 1,970 | 75.6 |
| August | 126.6 | 98.3 | 113.9 | 107.9 | 104.4 | 1,983 | 75.6 |
| September | 127.3 | 98.2 | 114.3 | 108.4 | 104.8 | 1,873 | 75.5 |
| October | 128.3 | 99.8 | 114.9 | 109.5 | 104.9 | 1,874 | 76.3 |
| November | 131.2 | 99.8 | 115.2 | 110.0 | 105.7 | 1,885 | 77.1 |
| December | 135.7 | 102.6 | 115.4 | 110.3 | 106.5 | 1,921 | 79.0 |
| 1989 | | | | | | | |
| January | 131.7 | 103.9 | 116.5 | 111.0 | 107.4 | 1,969 | 97.3 |
| February | | 101.7 | 116.8 | | | 1,954 | 97.4 |

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

# INTERNATIONAL CAPITAL MARKETS

## Decline in durable goods orders lifts US Treasuries

By Anatole Kaletsky in New York and Norma Cohen in London

A 3.6 per cent fall in new orders for durable goods gave the US bond market further encouragement yesterday in the wake of Tuesday's better than expected consumer price report.

Bond prices rose immediately in response to the durable goods announcement, but soon stabilised with only modest gains. The Treasury's benchmark long bond ended ½ up at 95⅜, a price at which it yielded 9.23 per cent. The Federal Reserve did not intervene in the money market, in line with dealers' expectations.

While some analysts expressed disappointment at the lukewarm reaction to the durable goods data, which seemed to confirm a hoped-for slowdown in the economy, others pointed out that these figures were notoriously volatile and hard to interpret.

February's 3.6 per cent drop in durable goods orders, which compared with a consensus forecast of a 0.6 per cent rise, was the second weak figure in succession, coming after a 2.3 per cent fall in January.

But even these two declines combined were smaller than the jump of 7.4 per cent recorded in December. The market was more likely to be influenced by the preliminary report on Gross National Product, due out this morning, and the personal income and expenditure figures on Friday, dealers said.

Nevertheless, the durable goods report supported the market's conviction that interest rates were unlikely to be pushed higher by the Fed.

UK GOVERNMENT gilts closed slightly higher, aided by news of the second consecutive monthly drop in US durable goods orders and a large buy order in the futures market.

Dealers said turnover in both cash and futures markets overall was very thin, with a slight flurry of activity after the US data were released.

Most dealers are sidelined ahead of the UK retail price index for February, set for later today, which is expected by analysts to show a rise of about 0.6 per cent. But concern about worldwide inflation, especially that in the US, weighs on market sentiment and is discouraging investors from buying gilts.

Yesterday's activity in the futures markets was believed to be linked to the placing with investors of much of Lasmo's £150m 10⅝ per cent debentures due 2009. While the issue was initially priced to yield 145 basis points over the 9.0 per cent Treasury due 2008, dealers said it had been placed with investors at a spread of 165 basis points over the bond.

The underwriters for the deal were believed to have bought the equivalent of £100m in long gilts contracts.

JAPANESE Government bonds closed little changed although prices see-sawed over the day, mostly in response to rumours that the entire cabinet of Prime Minister Takeshita would have to resign over the Recruit bribery scandal.

Bond prices opened firmer after the one-day holiday on Tuesday and the yield on the benchmark No. 111 bond fell about four basis points on short covering on Tuesday's US inflation data.

But speculation over an imminent mass resignation swept Japanese stock and bond markets in late afternoon, forcing bond yields up by 10 basis points in nervous trade.

When no resignations materialised and US durable goods data for February turned out better than expected, bond prices regained ground.

IN West Germany, government bond prices closed up to 20 basis points better, with fears about US inflation calmed somewhat by the two latest economic releases. The Bundesbank allocated DM6bn in a repurchase agreement, replacing nearly all of the DM6.2bn repurchase agreement which expired yesterday.

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| UK GILTS | | 13.500 | 9/92 | 108-04 | +5/32 | 10.66 | 10.58 | 10.49 |
| | | 9.750 | 1/98 | 98-14 | +2/32 | 10.02 | 9.93 | 9.82 |
| | | 9.000 | 10/08 | 90-09 | +3/32 | 9.08 | 9.01 | 8.91 |
| US TREASURY* | | 8.875 | 2/99 | 96-13 | +15/32 | 9.44 | 9.30 | 9.23 |
| | | 8.875 | 2/19 | 95-12 | +19/32 | 9.23 | 9.10 | 9.07 |
| JAPAN | No 111 | 4.800 | 6/98 | 95.3731 | +0.031 | 5.18 | 5.20 | 4.88 |
| | No 2 | 5.700 | 3/07 | 105.1284 | +0.169 | 5.05 | 5.08 | 4.83 |
| GERMANY | | 6.375 | 11/98 | 98.0000 | +0.150 | 6.65 | 6.93 | 6.88 |
| FRANCE | BTAN | 8.000 | 1/94 | 95.2568 | +0.147 | 9.24 | 9.23 | 9.38 |
| | OAT | 8.125 | 5/99 | 93.8950 | +0.315 | 9.04 | 9.00 | 9.10 |
| CANADA* | | 10.250 | 12/98 | 97.4500 | +0.250 | 10.67 | 10.61 | 10.29 |
| NETHERLANDS | | 6.7500 | 10/98 | 97.4750 | +0.050 | 7.11 | 7.13 | 7.06 |
| AUSTRALIA | | 12.000 | 7/99 | 90.6943 | +0.026 | 13.69 | 13.75 | 13.93 |

London closing, *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

*Technical Data/ATLAS Price Sources*

## Agreement closer on UK dealing in the US

By Norma Cohen

THE ASSOCIATION of Futures Brokers and Dealers, the self-regulatory body for the futures and options industry, said that it had made progress at a meeting yesterday towards agreement with US regulators on conditions under which UK firms may do business in the US with American customers.

The failure of UK regulatory authorities, under the aegis of the Securities and Investments Board, to agree with the US Commodities Futures Trading Commission has limited the ability of UK firms to solicit new business in the US.

Most significantly, a compromise has been agreed on one of the most contentious issues, that of access by US authorities to records of UK firms. The AFBD said that the CFTC has informally agreed to request records from the AFBD, which will ask the member firm to comply with the request if it feels it is reasonable. The CFTC had wanted to secure records of UK firms' dealings with US clients within 72 hours of the request.

The AFBD also said that the CFTC has informally agreed to a proposal which would allow some disputes between UK firms and their US-based customers to be settled on the brokers' home territory. The compromise proposal gives US customers dealing through the UK the right to choose arbitration of disputes in the UK or they may choose to mediate in the UK for up to nine months before electing for arbitration in the US. Previously, UK brokers had no right to UK arbitration nor to the nine-month mediation period.

The CFTC has also agreed to extend the number of exchanges outside the US on which American customers are able to deal with any UK firm. The SIB has authorised a number of non-UK exchanges as "designated investment exchanges", which are deemed to meet minimum standards.

However, the CFTC and the AFBD have still not reached a compromise on the thorny issue of segregation of client funds, required of virtually all US firms but, in the UK, required only for private clients.

## Citicorp to move office to London

CITICORP's head of investment banking for Europe, the Middle East and Africa, Peter Schuring, will shortly move office to Frankfurt from London, Citicorp Investment Bank said, Reuter reports.

The move was evidence of Citicorp's increasing commitment to continental Europe ahead of the 1992 single market, a Citicorp official said. It would involve the transfer of around five people from a total British workforce of 5,000.

The official denied a report in London's Evening Standard newspaper that up to 40 jobs would be transferred. He pointed out that the recent appointment of Paul Collins as Citicorp's senior corporate officer for Europe and the Middle East, based in London, created an opportunity to widen the spread of senior management in Europe.

The official added that no definite decision has yet been made on whether Citicorp will follow its original plan to occupy the former Billingsgate Fish Market in London, of which refurbishment is now almost complete, now that British staff have been cut by 500. Market sources have put development costs at around £40m ($69m).

## Jardine Fleming moves into Jakarta market

By Michael Marray in Hong Kong

HONG-KONG based Jardine Fleming Holdings has moved into the Indonesian stock market with the successful launch by private placement of a US$25m company which will buy listed investments on the Jakarta Stock Exchange.

A total of US$11m has already been invested among some of the eight companies available to foreign investors under Indonesian regulations limiting overseas holdings to 49 per cent.

Jardine hopes to invest the balance of the US$25m as rights issues, new listings and government privatisation schemes proceeds in coming years.

The initial portfolio has already made the fund the largest foreign investor in quoted Indonesian stocks. The Jakarta market has a total capitalisation of about US$250m.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 22

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey National 7½ 92 | 200 | †92¼ | 92¾ | 0 | -0¼ | 10.61 |
| B.F.C.E. 7 92 | 150 | 91⅞ | 91⅝ | +0⅛ | -0¼ | 10.46 |
| B.F.C.E. 9¼ 95 | 150 | 95 | 95½ | +0⅛ | -1⅛ | 10.25 |
| Brit. Tel. Fin. 9⅜ 98 | 250 | 95⅛ | 95⅜ | +0⅛ | -1⅛ | 10.11 |
| Canada 9 96 | 1000 | 95⅛ | 95⅝ | +0⅛ | -0⅞ | 9.90 |
| Canadian Pac 10¼ 98 | 100 | †99½ | 100⅛ | 0 | -0 | 10.72 |
| C.C.C.E 9¼ 95 | 300 | 95⅛ | 96 | +0⅛ | -1⅛ | 10.23 |
| C.N.C.A 9⅛ 93 | 150 | 96⅛ | 96⅛ | 0 | -1⅛ | 7.29 |
| Credit Lyonnais 9 90 | 200 | †97¼ | 97⅜ | 0 | -0⅛ | 10.55 |
| Credit National 8¼ 93 | 200 | 92⅛ | 93⅛ | 0 | -1⅛ | 10.43 |
| Credit National 7¾ 92 | 100 | 91⅞ | 92⅞ | +0⅛ | -0¼ | 10.47 |
| Credit National 9½ 92 | 160 | 97⅞ | 98¼ | +0⅛ | -1 | 10.34 |
| Dai-Ichi Kan 9⅜ 92 | 150 | 97⅛ | 97⅝ | 0 | -0⅞ | 10.52 |
| Denmark 7¼ 92 | 500 | 91⅞ | 91¼ | 0 | -0⅝ | 10.62 |
| E.E.C. 7 91 | 100 | 92 | 92½ | +0⅛ | -0⅝ | 10.41 |
| E.E.C. 7¼ 93 | 250 | 90 | 90½ | +0⅛ | -0⅞ | 10.38 |
| E.E.C. 8 90 | 350 | †96⅝ | 97⅛ | 0 | +0⅛ | 10.58 |
| E.I.B. 7⅝ 93 | 100 | 90 | 90½ | -0⅛ | -1 | 10.31 |
| E.I.B. 9⅜ 97 | 150 | 95⅝ | 96⅛ | +0⅛ | -1⅛ | 10.11 |
| Elec. De France 9 98 | 200 | 93¼ | 93¾ | +0⅛ | -1¼ | 10.13 |
| Finland 7⅞ 97 | 200 | 87½ | 88⅛ | +0⅛ | -1 | 10.21 |
| Finl. Exp. Cd. 8½ 92 | 200 | 94⅝ | 95⅛ | +0⅛ | -0¼ | 10.59 |
| Finl. Exp. Cd. 9⅜ 95 | 200 | 95¼ | 95¾ | +0⅛ | -1⅛ | 10.32 |
| Ford Motor Credit 8 91 | 250 | †95⅞ | 95⅞ | +0⅛ | -0⅛ | 10.54 |
| Gen. Elec. Cap. Corp. 9 93 | 500 | 95 | 95½ | +0⅛ | -1 | 10.30 |
| Gen. Elec Credit 10¼ 00 | 200 | 99⅞ | 100 | +0⅛ | 0 | 10.28 |
| Gen. Mtrs. Corp. 9⅞ 92 | 200 | 96⅞ | 97 | +0⅛ | -0⅝ | 10.34 |
| Halifax BS 9½ 93 | 200 | †96¼ | 96⅝ | +0⅛ | -1 | 10.57 |
| IBM Credit Corp. 8⅞ 91 | 250 | 96⅝ | 97 | 0 | -0¼ | 10.37 |
| IBM Credit Corp. 9½ 92 | 250 | †99⅞ | 99⅞ | +0⅛ | +0⅛ | 9.64 |
| Italy 9½ 95 | 1000 | 96⅞ | 96⅞ | +0⅛ | -1¼ | 10.20 |
| Italy 9⅝ 99 | 1000 | 96¼ | 96⅝ | +0⅛ | -1¼ | 10.20 |
| L.T.C.B of Japan 8 91 | 100 | 94½ | 94½ | 0 | -0⅝ | 10.80 |
| L.T.C.B. of Japan 9¼ 92 | 200 | 96⅛ | 96⅝ | +0⅛ | -0⅞ | 10.47 |
| Metropolis Tokyo 9½ 93 | 200 | 97¾ | 98¼ | +0⅛ | -0⅞ | 10.14 |
| Nippon Tel. & Tel. 9⅜ 98 | 250 | 95½ | 95⅝ | +0⅛ | -1⅛ | 10.13 |
| Norway 8⅛ 93 | 500 | 94⅞ | 95⅛ | +0⅛ | -1 | 10.31 |
| Portugal 8¼ 91 | 300 | †95⅛ | 95⅝ | 0 | -0½ | 10.95 |
| Prudential Crp. 8¼ 94 | 125 | 93⅛ | 93⅞ | -0⅛ | -1½ | 10.34 |
| Qantas Airways 10⅛ 95 | 140 | 100⅞ | 101 | +0⅛ | -0⅝ | 10.21 |
| Saskatchewan 10⅛ 92 | 100 | 100½ | 101¼ | +0⅛ | -0⅝ | 10.43 |
| State Bk S Aust 9¼ 93 | 100 | 96⅛ | 96½ | +0⅛ | -0⅝ | 10.46 |
| Sumitomo Bank 9⅝ 92 | 150 | 97⅛ | 97⅝ | 0 | -0⅞ | 10.51 |
| Swed Exp Cred 7⅛ 91 | 100 | †92¼ | 92⅞ | 0 | -0⅝ | 10.52 |
| Sweden 7 91 | 250 | 92⅞ | 93 | +0⅛ | -0½ | 10.41 |
| Sweden 8¾ 96 | 200 | 93 | 93½ | +0⅛ | -1 | 10.14 |
| Sweden 8½ 92 | 200 | †95 | 95½ | +0⅛ | 0 | 10.18 |
| Toyota 9½ 91 | 200 | 97⅞ | 98 | 0 | -1 | 10.50 |
| Victorian Rep 11⅛ 92 | 150 | 102½ | 103 | -0⅛ | -0⅞ | 10.52 |
| World Bank 7 92 | 300 | †91⅞ | 92⅝ | +0⅛ | -0⅝ | 10.31 |
| World Bank 9 97 | 300 | 93⅜ | 94 | +0⅛ | -1⅛ | 10.12 |
| World Bank 9¼ 98 | 300 | 94⅞ | 95¼ | +0⅛ | -1½ | 10.07 |
| World Bank 9⅝ 99 | 500 | 97⅛ | 97⅝ | +0⅛ | -1⅛ | 10.05 |
| Yasuda Trust Fin 8½ 93 | 100 | †92¾ | 93¼ | +0⅛ | -0⅞ | 10.60 |

Average price change... On day +0⅛ on week −0⅞

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. BK. 6 94 | 200 | 97⅞ | 98⅜ | 0 | -0⅝ | 6.39 |
| Avis Fin. SVS 5⅞ 92 | 100 | 98 | 98½ | +0¼ | +0⅛ | 6.54 |
| Bank of Tokyo 5¾ 93 | 100 | 99 | 99½ | -0½ | -1¼ | 5.97 |
| Central BK. Turkey 7 92 | 200 | 101 | 101½ | +0¼ | +1 | 6.57 |
| Commerzbank o/s. 5⅜ 93 | 300 | 96⅝ | 97⅛ | 0 | 0 | 6.32 |
| Degussa Int. 6⅛ 97 | 200 | 96⅝ | 97⅞ | -0¼ | -1½ | 6.60 |
| E.I.B 5½ 98 | 150 | 91⅞ | 92 | -0¼ | -0½ | 6.74 |
| E.I.B. 6¼ 99 | 600 | 96 | 96¼ | +0¼ | -0¼ | 6.80 |
| E.I.B. 6⅛ 96 | 500 | 96⅝ | 97⅞ | +0⅛ | -0⅝ | 6.57 |
| E.I.B. 6¼ 97 | 400 | 95⅝ | 96¼ | 0 | -0⅝ | 6.81 |
| E.I.B. 6⅞ 95 | 500 | 100⅝ | 101⅛ | 0 | 0 | 6.67 |
| Euro. Coal & Steel 5⅞ 97 | 175 | 94½ | 94⅞ | +0⅛ | -0⅝ | 6.79 |
| Eurofima 6¼ 96 | 100 | 98⅝ | 99⅛ | -0⅛ | -0½ | 6.42 |
| Elec De France 5¾ 97 | 300 | 93⅛ | 93⅞ | -0¼ | -0½ | 6.80 |
| Forsmark Krtg. 5⅞ 93 | 200 | 94⅞ | 95⅝ | 0 | -0½ | 6.53 |
| I.A.D.B. 6 97 | 200 | 94⅝ | 95¼ | +0⅛ | -0⅝ | 6.83 |
| Japan Dev. Bk. 5⅜ 95 | 300 | 93¼ | 94 | +0⅛ | 0 | 6.68 |
| Japan Finance 5¾ 97 | 100 | 93½ | 94⅛ | 0 | -0⅝ | 6.79 |
| Ireland 6½ 97 | 300 | 97⅞ | 98¼ | +0½ | +0⅛ | 6.83 |
| Malaysia 6⅛ 94 | 150 | 100⅝ | 101⅛ | +0⅛ | +0¼ | 6.07 |
| Nat. West BK. PLC 6 98 | 300 | 93¼ | 94 | -0⅛ | -0⅛ | 6.97 |
| N.H.L. Finance 6¼ 95 | 200 | †97¼ | 97⅞ | 0 | -0¼ | 6.72 |
| Nippon Telg. & Tel. 6 95 | 400 | 97⅞ | 98½ | 0 | -0⅝ | 6.21 |
| Oesters. Kontbk. 5 93 | 300 | 95⅝ | 96⅝ | 0 | +0⅝ | 6.19 |
| Portugal 5¾ 92 | 150 | 96⅞ | 97⅝ | 0 | -0¼ | 6.67 |
| Portugal 6⅝ 95 | 150 | 98⅞ | 99⅛ | 0 | -0¼ | 6.86 |
| Privatbanken 5¾ 93 | 150 | 93⅝ | 94⅛ | -0⅛ | -1¼ | 7.01 |
| Royal Insurance 5½ 92 | 300 | 97½ | 98 | +0¼ | +0½ | 6.33 |
| Sge Cent Nuclear 7¼ 95 | 150 | 100⅝ | 101⅜ | 0 | 0 | 7.04 |
| Turkey 6½ 95 | 500 | 96⅜ | 97⅛ | 0 | -0⅝ | 7.17 |
| Union Bk. Finland 5½ 94 | 200 | 94⅛ | 94⅞ | +0¼ | +0½ | 6.84 |
| Westlb. Finance 5 93 | 200 | †94⅝ | 95¼ | 0 | +0⅝ | 6.51 |
| World BK. 6¼ 97 | 600 | 97 | 97½ | +0¼ | 0 | 6.88 |

Average price change... On day +0 on week −0⅛

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| African Dev. Bk. 5 96 | 150 | †95½ | 96½ | -0½ | -0¾ | 5.67 |
| Asfinag 5 03 | 100 | †94 | 94½ | -0¼ | -0¾ | 5.59 |
| B.F.C.E. 4½ 98 | 200 | †92¼ | 92¾ | +0¼ | +0¼ | 5.55 |
| B.M.W. Fin. Neth. 5 13 | 150 | †87½ | 88 | -0¼ | +0¼ | 5.97 |
| Britannia B/S. 4¼ 94 | 100 | †92¾ | 94 | +0¼ | -0⅛ | 5.75 |
| CIR. Int. W/W 3 93 | 125 | †93½ | 95 | +0¼ | +0⅝ | 4.49 |
| Credit Lyonnais 4¾ 00 | 100 | †91 | 91¼ | -0⅛ | -0⅝ | 5.85 |
| E.I.B 4⅝ 98 | 150 | †93 | 94 | 0 | -0¼ | 5.54 |
| Fletcher Chall. 4⅞ 98 | 150 | †91 | 91½ | 0 | -0¼ | 6.16 |
| Kobe City 4⅝ 98 | 150 | †94½ | 94¾ | 0 | +0¼ | 5.37 |
| Leeds Perm. B/S. 4½ 93 | 200 | †94 | 94½ | 0 | -0¼ | 5.75 |
| Malaysia 5¼ 98 | 100 | †95 | 96 | +0⅛ | 0 | 5.89 |
| Maxwell Comm. Crp. 5 95 | 150 | †95¾ | 96⅞ | 0 | +0⅞ | 5.73 |
| Nat. Bk. Hungary 5½ 94 | 75 | †96 | 97 | 0 | +0¼ | 6.24 |
| Nationwide Ang. B/S. 4 93 | 200 | †93¼ | 93⅛ | 0 | 0 | 5.80 |
| Nippon Telg. & Tel. 4⅞ 95 | 200 | †96½ | 96¾ | 0 | +0¼ | 4.87 |
| Oesters. Kbk. 5 03 | 75 | †94½ | 96 | +0½ | +0½ | 5.48 |
| Prov. Newfoundland 5 03 | 150 | †95½ | 96 | -0¼ | -0½ | 5.42 |
| Thailand 4⅝ 95 | 200 | †92½ | 93½ | 0 | -0¼ | 5.98 |
| World Bank 5 03 | 150 | †96½ | 97½ | +0⅛ | -0⅝ | 5.30 |

Average price change... On day 0 on week 0

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Belgium 4⅝ 91 | 50 | 97¼ | 98⅛ | -0¼ | -0¼ | 5.31 |
| Canada 6⅛ 91 | 80 | 101⅞ | 101⅞ | 0 | -0¼ | 5.14 |
| Canada 5⅞ 95 | 80 | 101⅞ | 101⅞ | 0 | -0¼ | 5.16 |
| E.I.B. 4⅞ 93 | 30 | 98⅝ | 98⅞ | +0⅛ | +0¼ | 5.23 |
| Ireland 5⅛ 93 | 30 | 99½ | 100 | 0 | 0 | 5.19 |
| Norway 5⅛ 95 | 50 | 99⅝ | 99⅝ | 0 | -0¼ | 5.22 |
| Sweden 4⅝ 93 | 50 | 97⅝ | 97⅞ | 0 | -0¼ | 5.24 |
| World Bank 5⅛ 96 | 10 | 99¼ | 99¼ | 0 | -0¼ | 5.20 |
| World Bank 7 94 | 20 | 107⅞ | 107⅞ | 0 | -0⅝ | 5.25 |

Average price change... On day 0 on week −0¼

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey Nat. BS. 10¼ 93 £ | 50 | 97¼ | 97⅝ | +0⅛ | -0½ | 11.10 |
| Abbey Nat. 11⅜ 95 £ | 100 | 99½ | 100 | +0⅛ | -0⅛ | 11.67 |
| Alg. Bk. Ned. 5½ 92 FL | 150 | 95¼ | 95¾ | 0 | +0½ | 7.27 |
| Alg. Bk. Ned. 5¾ 93 FL | 200 | 96 | 96½ | +0½ | +0⅞ | 6.86 |
| Austria 7½ 94 ECU | 100 | 95¼ | 95¾ | +0⅛ | +0⅝ | 8.64 |
| Bk. Nova Scot. 14⅝ 90 A$ | 75 | 95¾ | 96⅛ | +0¼ | +0⅛ | 17.24 |
| Barclays Aus. 13½ 91 A$ | 100 | 95⅛ | 95⅝ | 0 | +1 | 15.70 |
| BP Capital 9¼ 93 £ | 100 | 94½ | 94⅞ | 0 | -0⅛ | 11.47 |
| British Airways 10 98 £ | 100 | 93 | 93½ | +0⅛ | -0⅞ | 11.23 |
| Buhrmann-Tet. 6⅜ 93 FL | 100 | 96½ | 97 | -0¼ | -0⅛ | 7.26 |
| Comm. Bk. Aust. 12⅜ 93A$ | 100 | 91⅞ | 92⅞ | +0⅛ | +0⅝ | 14.17 |
| Coop. Ctr. Rabo. 6¼ 93 FL | 100 | 97⅞ | 98⅛ | 0 | +0⅝ | 6.81 |
| Coop. Ctr. Rabo. 6 92 FL | 200 | 97⅛ | 97⅝ | 0 | -0¼ | 6.91 |
| Dixons 11 95 £ | 90 | †97½ | 98 | +0⅛ | -0¼ | 11.57 |
| Deut. Bk. Aus. 13⅛ 93 A$ | 125 | 95⅛ | 95⅝ | +0¼ | +0⅝ | 14.75 |
| Eastman Kodak 13 90 A$ | 100 | 94⅞ | 95⅛ | 0 | +0⅛ | 16.92 |
| E.I.B. 7 96 LFr | 100 | †97¼ | 98¼ | +0¼ | 0 | 7.42 |
| Elec. France 10¼ 95 C$ | 125 | †95 | 95½ | 0 | -0¼ | 11.34 |
| Euratom 7⅞ 97 ECU | 145 | 91¼ | 91¾ | +0⅛ | +0⅛ | 8.89 |
| Fed. Bus. Dv. Bk. 9⅝ 92 C$ | 75 | †94¼ | 94⅞ | +0¼ | -0¼ | 11.88 |
| Fed. Bus. Dev. Bk. 10½ 93 | 50 | 95¼ | 95¾ | -0⅛ | -0¼ | 11.86 |
| Ford Cr. Can. 10¾ 93 C$ | 100 | †96⅛ | 96⅞ | +0¼ | -0½ | 11.86 |
| Ford Cred. Can. 10⅞ 96C$ | 125 | 96⅛ | 96⅞ | +0¼ | -0⅞ | 11.60 |
| Ford Mtr. Cred. 7½ 91ECU | 100 | 96⅛ | 96¾ | +0⅛ | 0 | 9.01 |
| G.M.A.C. 9¾ 93 C$ | 150 | †93⅞ | 94¼ | +0¼ | +0⅞ | 11.60 |
| Honda Intl. 7⅞ 93 Ecu | 100 | 95¼ | 95¾ | +0¼ | +0¼ | 9.08 |
| Hydro-Quebec 11 99 C$ | 400 | 96⅞ | 97⅛ | +0⅛ | -1⅛ | 11.51 |
| Lloyds Bank 10¼ 98 £ | 150 | 94¼ | 94⅝ | +0⅛ | -0½ | 11.28 |
| Lloyds Bank 11⅜ 98 £ | 100 | 98⅝ | 99⅛ | +0⅛ | -0⅞ | 11.55 |
| Montreal Tst. 10¾ 93 C$ | 100 | †95¼ | 95¾ | +0¼ | -0¼ | 12.11 |
| Morgan Guar. Tst. 11 91 C$ | 150 | 97⅞ | 98¼ | +0¼ | -0⅛ | 12.24 |
| Nat. Am. Bk. 14¼ 94A$ | 100 | 98⅝ | 99⅛ | 0 | -0¼ | 15.06 |
| Ned. Midd. Bank 6 92 FL | 150 | 96½ | 97 | 0 | 0 | 7.23 |
| New Zealand 9⅞ 93 £ | 100 | 93¼ | 93¾ | +0⅛ | -0⅝ | 11.56 |
| New Zealand 7⅞ 93 ECU | 200 | 96⅝ | 97⅛ | +0¼ | +0¼ | 8.71 |
| Philips Gloeil. 6 93 FL | 300 | 96⅜ | 96⅞ | +0¼ | -0¼ | 6.91 |
| Privatbanken 7½ 94 LFr | 500 | †98¼ | 99¼ | +0⅛ | -0¼ | 7.81 |
| Royal Bk. Scot. 10⅝ 98 £ | 125 | 96½ | 97 | +0⅛ | 0 | 11.27 |
| Saskatchewan 9⅞ 91 C$ | 150 | †95¼ | 95⅝ | +0⅛ | -0¼ | 12.20 |
| Saskatchewan 10¼ 93 C$ | 200 | 94⅜ | 94⅞ | -0⅛ | -1¼ | 11.82 |
| State Bk. NSW. 13⅞ 93A$ | 100 | 95⅜ | 95⅞ | -0¼ | +0⅜ | 15.18 |
| Sweden 15 94 A$ | 100 | 101 | 101½ | +0¼ | +0¼ | 14.63 |
| Union Bk. Switz. 7½ 93 | 150 | †96⅛ | 97⅛ | +0⅛ | +0⅜ | 8.38 |
| World Bank 5¾ 92 FL | 100 | 97⅛ | 97⅝ | +0⅛ | -0¼ | 6.73 |
| World Bank 13⅛ 92 A$ | 100 | †96¼ | 97¼ | +0¼ | +1 | 14.49 |
| Zentrspk. 13¼ 93 A$ | 75 | 95¾ | 96¼ | 0 | +0⅞ | 14.45 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Alliance & Leic. Bld 94 £ | .08 | 99.66 | 99.71 | 18/04 | 13.21 |
| Belgium 91 US | 0 | 99.97 | 100.07 | 19/08 | 10 |
| Britannia 5 93 £ | 0⅛ | 99.93 | 99.98 | 10/04 | 13 |
| Chase Manhattan Crp. 91 US | 0⅛ | 99.20 | 99.45 | 20/08 | 9.94 |
| Citicorp 98 US | 0¼ | 98.12 | 98.37 | 29/05 | 10.33 |
| Credit Foncier 98 US | .063 | 99.80 | 99.90 | 20/04 | 8.44 |
| EEC 3 92 DM | 0 | 100.90 | 101.00 | 20/08 | 6.72 |
| Halifax BS 94 £ | .1 | 99.84 | 99.90 | 6/05 | 13.07 |
| Inv. In Industry 94 £ | 0¼ | 99.93 | 100.02 | 24/05 | 13¼ |
| Leeds Perm. B/S. 94 £ | 0⅛ | 100.04 | 100.09 | 13/04 | 13.37 |
| Midland Bank 01 £ | .1 | 97.74 | 98.29 | 7/05 | 13.1 |
| Milk Mkt. Brd. 5 93 £ | 0⅛ | 99.91 | 99.96 | 30/12 | 12.06 |
| New Zealand 5 97 £ | .07 | 99.99 | 100.09 | 14/11 | 12.19 |
| State Bk. New. 98 US | .188 | 100.12 | 100.22 | 11/08 | 9.94 |
| Woolwich Equit. BS. 93 £ | 0⅛ | 99.95 | 100.00 | 13/04 | 13.37 |
| Woolwich 5 95 £ | 0⅛ | 99.84 | 99.89 | 19/05 | 13.12 |

Average price change... On day +0.04 on week −0.02

| CONVERTIBLE BONDS | Cnv. date | Cnv price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Alcoa 6¼ 02 US | †8/87 | 62. | 109¾ | 110¾ | -0⅛ | 15.11 |
| Amer. Brands 7¾ 02 US | 9/87 | 56.7 | 117¼ | 118¼ | +0¼ | 4.40 |
| Ashikaga Bank 2⅛ 02 US | 4/87 | 967. | 136⅛ | 137⅛ | -0⅞ | 2.56 |
| Asics 5 92 DM | 12/83 | 472.7 | 237½ | 238⅞ | 0 | 7.14 |
| CBS. Inc. 5 02 US | 4/87 | 200. | 93½ | 94½ | 0 | 9.94 |
| Comm. Credit 5½ 02 US | 4/87 | 66.75 | 64⅝ | 65⅝ | -0⅛ | 98.68 |
| Eng. China Clay 6⅜ 03 £ | 9/88 | 4.8 | 109⅞ | 110⅞ | -0⅛ | 0.15 |
| Fujitsu 3 99 US | 5/84 | 1106. | 217½ | 218½ | -3½ | -3.33 |
| Land Secs. 6¾ 02 £ | 6/87 | 6.72 | 97 | 98 | -0½ | 13.56 |
| MCA Inc 5½ 02 US | 9/87 | 69.62 | 89⅞ | 90⅞ | 0 | 23.38 |
| Minolta Camera 2¼ 94DM | 2/86 | 1004. | 104⅝ | 105⅝ | -0⅞ | 8.07 |
| Mitsubishi Bk. 2¼ 02 US | 9/87 | 3157. | 117⅞ | 119⅝ | 0 | 3.27 |
| Mitsui Trust 2⅛ 01 US | 10/86 | 1903. | 135 | 136 | -3 | 1.62 |
| Next Plc 5⅜ 03 £ | 11/87 | 4.3 | 98⅝ | 99⅝ | +0¼ | 184.16 |
| Nikki Nipp. Bt 2⅞ 03 US | 4/88 | 804. | 118⅛ | 119⅝ | -2⅛ | 4.08 |
| Onoda Takai 2⅞ 02 US | 4/87 | 1310. | 197⅛ | 198½ | -5 | -5.23 |
| Rank Xerox 4⅛ 03 £ | 1/88 | 3.5 | 112⅞ | 113⅞ | +0⅛ | 2.80 |
| Redland 7¼ 02 £ | 1/87 | 5.4 | 101⅛ | 102⅛ | -0⅛ | 6.35 |
| Saatchi & Saatchi 6¾ 03 £ | †10/89 | 4.51 | 95 | 96 | -3 | 30.79 |
| Sumitomo Bank 3¼ 04 US | 2/89 | 4296. | 87¼ | 88¼ | -1¼ | 5.22 |
| Texas Inst. 2¾ 02 US | 9/87 | 82.87 | 72½ | 73½ | -0½ | 59.22 |
| W.R. Grace 6¼ 02 US | 9/87 | 42.12 | 92¼ | 93¼ | +2⅛ | 21.44 |

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

## INTERNATIONAL CAPITAL MARKETS

# Investor uncertainty helps restrict flow of new issues

By Andrew Freeman

SYNDICATE MANAGERS braved uncertain market conditions to launch several Eurobond issues yesterday. However, cautious investor sentiment and the approach of the Easter holidays meant that actual flows of newly issued bonds were limited.

A convertible Eurosterling issue for J. Sainsbury was favourably received, in spite of the poor performance of the London stock market. The £150m 15-year bonds carried a 5 per cent coupon and were priced at par by the lead manager, Warburg Securities. The conversion premium was fixed at 18 per cent over yesterday's Sainsbury share price of 282p.

The bonds have an investor put option after five and 10 years, which Continental investors found highly attractive. At yesterday's prices, the so-called yield to put was some 10.26 per cent.

Warburg, which is believed to have placed nearly two-thirds of the bonds itself, won praise for its pricing of the deal, the proceeds of which will be used to re-finance Sainsbury's recent acquisition of Savacentre. The lead manager was quoting the bonds at 100½ bid, a small premium to the issue price.

Several houses had identified demand for medium-dated Australian-dollar bonds, but only Deutsche Bank Capital Markets launched a deal, an A$100m five-year issue for Volkswagen International Finance which came with a 15 per cent coupon and was priced at 102.

There were some declines from houses which said this pricing was too tight, preferring a coupon of 15¼ per cent. The lead manager said the borrower was a natural name for its placement network in Germany and described the transaction as smooth.

It quoted the bonds at less 2 bid, a discount equivalent to underwriting fees.

### INTERNATIONAL BONDS

Deutsche Bank syndicated the deal on a take and pay basis, guaranteeing no deductions from fees for stabilisation, and confirming allocations by the end of the day.

The lead manager would not comment, but it is understood that the issue proceeds were swapped into floating-rate US dollars to achieve a funding rate of around 50 basis points below Libor.

Wood Gundy was the lead manager of a C$100m one-year deal for the Export Development Corporation. The bonds carried a 13 per cent coupon and were priced at 101⅞ to yield some 40 basis points below one-year Canadian government paper. The proceeds are believed to have been swapped into floating-rate US dollars.

Several houses said the pricing was cheeky, estimating the launch spread at more like 50 basis points below government bonds. However, the lead manager said the coupon was the key feature of the deal which was aimed primarily at European retail investors. The bonds were quoted at less 0.90 bid, just outside underwriting fees of ⅞ per cent.

A $100m one-year deal for BNL Singapore was brought by Yamaichi International. The bonds came with a 10.80 per cent coupon and were priced at 100⅝ to yield some 105 basis points over the equivalent US Treasury.

A Yamaichi official said the bonds were aimed primarily at investors in Japan and Switzerland. The issue proceeds were swapped into floating-rate dollars.

J.P. Morgan launched a zero coupon two-year deal for Mitsubishi Corporation Finance which was priced at 83.525 per cent and which is understood to have been aimed at Japanese accounts. European investors which buy zero coupon bonds prefer longer-dated paper. Yamaichi was a co-lead manager on the deal.

In France yesterday, Société Générale launched a FFr400m FRN deal for Nersa, the French-based nuclear power company which is owned by France's EdF, Italy's ENEL and Germany's SBK. This was the first FRN to be issued in France since last June.

The eight-year bonds yield 10 basis points above three-month Pibor, the Paris interbank offered rate. Previous issues have been pegged against either Libor or Pibor, depending on interest rates.

The lead manager quoted the bonds at 99.95 bid, well inside total underwriting fees of 17 basis points. French mutual funds were reported as strong buyers of the paper.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Mitsubishi Corp.Finance◆ | 150 | Zero | 83.525 | 1991 | 1⅛/⅝ | J.P. Morgan Secs. |
| BNL Singapore(b)◆ | 100 | 10.80 | 100⅝ | 1990 | ⅞/½ | Yamaichi Int. (Europe) |
| Final terms fixed on: | | | | | | |
| Teijin Ltd.(d)‡◆ | 300 | 4⅛ | 100 | 1993 | 2¼/1½ | Daiwa Europe |
| Ohbayashi Corp.(e)‡◆ | 200 | 4¼ | 100 | 1993 | 2¼/1½ | Nomura Int. |
| **STERLING** | | | | | | |
| J. Sainsbury(Capital)(c)§◆ | 150 | 5 | 100 | 2004 | 2½/1½ | Warburg Securities |
| **AUSTRALIAN DOLLARS** | | | | | | |
| Volkswagen Int.Fin.◆ | 100 | 15 | 102 | 1994 | 2/1½ | Deutsche Bank Cap.Mkts |
| **CANADIAN DOLLARS** | | | | | | |
| Export Development Corp.◆ | 100 | 13 | 101⅞ | 1990 | ⅞/⅝ | Wood Gundy |
| **FRENCH FRANCS** | | | | | | |
| NERSA(a)◆ | 400 | 10bp | 100 | 1997 | 17/4½bp | Societe Generale |
| **D-MARKS** | | | | | | |
| IKB Int. Luxembourg(b)◆ | 100 | 6¼ | 100½ | 1994 | n/a | Industriekreditbank |

◆With equity warrants. ‡Floating rate notes. §Convertible. ◆Final terms. a) 10bp over 3-month Pibor. Call after 2 years at 100 and thereafter on each coupon date. b) Non-callable. c) Put option after 5 and 10 years. d) Coupon indicated at 4⅛%. e) Coupon cut by ⅛% from indication.

# Key bond executive to leave TDB Amex

By William Dullforce in Geneva

MR Jean-Francois Kurz, the key figure in the bond underwriting syndicate led by TDB American Express Bank, is leaving the bank after only one year.

TDB American Express said yesterday that he was resigning as general manager for personal reasons. In a separate announcement, DG Bank (Schweiz) said Mr Kurz was joining its executive board. He was not available for comment.

Mr Kurz has been a controversial innovator on the Swiss capital market for the past 20 years. He joined TDB American Express in March last year after resigning from Banque Gutzwiller, Kurz, Bungener following a row with Bank Leu, its majority shareholder.

Under his control the syndicate run by Banque Gutzwiller had been a constant thorn in the side of the dominating syndicate operated by the three big Swiss banks.

Last year TDB American Express, in its first foray into the primary capital market, recruited Mr Kurz and took over the leadership of the Banque Gutzwiller syndicate.

Yesterday, TDB American Express said it was evaluating its membership of the syndicate and considering options for its primary capital market business.

The syndicate had not always been able to provide the quality of paper demanded by its customers. Competition on the Swiss market had intensified in the last year and the goal of expanding and reinforcing the syndicate had not been achieved, TDB American Express said.

Under Mr Kurz the syndicate lead managed five issues totalling SFr325m for foreign borrowers and SFr76m for Swiss borrowers. He took part in issues totalling SFr635m.

No successor would be appointed for Mr Kurz, TDB American Express said. There had been some discussion about Mr Kurz taking other members of the staff with him.

# Ratings maverick makes his mark

## Stefan Wagstyl on the growing stature of Tokyo-based Mikuni

A maverick of the Japanese financial markets is beginning to be taken seriously by the establishment.

Mr Akio Mikuni shocked the financial community five years ago when he began publishing credit ratings on Japan's largest companies.

The idea that a company's standing in the market could depend on an analyst's whim was alien to Tokyo. What mattered was the reputation of its name.

Mr Mikuni, founder of Mikuni & Co, did not pull any punches.

In his first list he gave a single A rating to the Bank of Tokyo, then perhaps the best-known overseas of Japan's leading banks.

Leading US credit rating agencies quickly followed Mikuni's example and downgraded the Bank of Tokyo because of its relatively high exposure to Third World debt.

For a long time, Mr Mikuni's credit ratings were scarcely used in Japan. Even today, two-thirds of his customers are foreign companies, many of them based in Switzerland. But his reputation overseas slowly persuaded Japanese institutions to take his service.

Although a handful of newsletters began to publish its ratings, the real break-through came last month when Mikuni's figures started appearing in the Nikkei Financial Daily, an affiliate of Nihon Keizai Shimbun, Japan's leading business newspaper.

"This is good for us. The Nikkei paper has quite a good following," says Mr Mikuni.

The 49-year-old businessman left Nomura Securities, Japan's largest securities company, 14 years ago. He started a financial consulting company which specialised in securities research and now employs 25 people.

Competitors include Moody's and Standards & Poor's, the two big US agencies. They both rate Japanese bonds, but not as extensively as Mikuni which tracks 4,000 issues made by 1,000 companies.

At home there is Nippon Investors Service, an agency backed by the large securities companies, and Japan Credit Rating Agency, which is supported by Long Term Trust Bank, Nippon Life and Sumitomo Trust Bank.

However, both charge issuers for their services – so face potential conflicts of interest. Moreover, both are indirectly sponsored by the Japanese Ministry of Finance, which has not found it easy to deal with the independent-minded Mr Mikuni.

The Nihon Keizai Shimbun group runs a fourth domestic agency, Japan Bond Research Institute, which, unlike Mikuni, does not rate bonds issued in overseas markets.

In bonds, for example, despite recent liberalisation measures it is still the MoF that decides which companies are eligible to issue domestic instruments.

Ratings published by the two agencies sponsored by the ministry are taken into account in deciding eligibility, but not Mikuni's.

Mr Mikuni feels it should be left to the market to decide which companies can and cannot issue bonds.

However, he believes that international and domestic pressure will force Japan to become a more open society. That should increase the scope for independent bond rating.

# Yugoslav banking system faces shake-up

By Judy Dempsey, recently in Yugoslavia

A RADICAL shake-up of the Yugoslav banking system, possibly involving the wider use of share capital, is envisaged by Mr Ante Markovic, the new Prime Minister.

Under the plans, Yugoslav industry will be forced to stand on its own feet. Enterprises will no longer have automatic access to bank loans, many of which are offered at extremely low rates of interest.

Tackling the banking system has become a priority of the new government.

At the root of the problem is a system devised two decades ago in which banks were formed out of the assets of enterprises.

The idea was that management of both the banks and the enterprises would be based on a system of self-management and a form of "social ownership," which until recently excluded any form of private or share ownership.

Economists now believe that this form of social ownership, particularly in the sphere of banking, created no incentives for either the banking or enterprise sector to be run efficiently.

Since the enterprise directors were automatically elected

Ante Markovic: industry to stand on own feet

to the boards of the banks, there was little reason to assume they would refuse themselves fresh loans or credits at negative real interest rates.

Prof Ivan Ribnikar, dean of the economics faculty at Ljubljana University, says: "Everybody knew what was happening.

"But there was no institutional interference from the state to keep a check on the banks' books."

Economists add that this system encouraged liabilities to rise faster than assets. Prof Ribnikar points out that at least one enterprise holds loans worth 30 per cent of the lending bank's assets.

The knowledge that the banking system did not function efficiently was not, however, enough to persuade the authorities to tackle the issue head-on – for the simple reason that political costs would have been too great.

If, for instance, a bank blocked credit to its unprofitable enterprise, the chances that the enterprise would either go bankrupt or be unable to pay wages was too high a political risk.

State institutions might not have been able to interfere, but local party officials were often more concerned to keep an enterprise open, regardless of the banks' balance sheets.

The question is how Mr Markovic can push through overdue reforms without too much political upheaval.

Breaking existing relationships will take time, and political skill.

However, the $10bn of citizen-based bank liabilities held by the commercial banks must, say economists, be dealt with – and soon.

One scheme is to sell state-owned housing, of which there are about 1.5m apartments, or 26 per cent of Yugoslavia's total housing stock.

Economists reckon this could raise about $45bn, of which two-thirds could be used to absorb losses arising from a break in the existing relationship between enterprises and banks, and other liabilities.

Another plan is to start seriously reconsidering the idea of social ownership. Economists, such as Prof Ribnikar, argue that property relations and the whole idea of ownership are the key factors in reforming both enterprises and banking.

This means that the introduction of capital, equity and bonds could soon become a reality in a country which has up to now suppressed such activities. Without a radical reassessment along these lines, local economists believe the umbilical cord between enterprises and banks will never be broken.

### FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| Equity groups & sub-sections (Figures in parentheses show number of stocks per section) | Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at 25%) | Est. P/E Ratio (Net) | xd adj. 1989 to date | Tue Mar 21 Index No. | Mon Mar 20 Index No. | Fri Mar 17 Index No. | Year ago (approx) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 CAPITAL GOODS (207) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 2 Building Materials (28) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 3 Contracting, Construction (38) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 4 Electricals (10) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 5 Electronics (30) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 6 Mechanical Engineering (55) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 8 Metals and Metal Forming (7) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 9 Motors (17) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 10 Other Industrial Materials (22) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 21 CONSUMER GROUP (186) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 22 Brewers and Distillers (22) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 25 Food Manufacturing (20) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 26 Food Retailing (15) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 27 Health and Household (13) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 29 Leisure (33) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 31 Packaging & Paper (17) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 32 Publishing & Printing (18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 34 Stores (33) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 35 Textiles (15) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 40 OTHER GROUPS (94) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 41 Agencies (18) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 42 Chemicals (22) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 43 Conglomerates (11) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 45 Shipping and Transport (13) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 47 Telephone Networks (2) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 48 Miscellaneous (28) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 49 INDUSTRIAL GROUP (487) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 51 Oil & Gas (13) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 59 500 SHARE INDEX (500) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 61 FINANCIAL GROUP (126) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 62 Banks (8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 65 Insurance (Life) (8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 66 Insurance (Composite) (7) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 67 Insurance (Brokers) (7) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 68 Merchant Banks (11) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 69 Property (53) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 70 Other Financial (32) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 71 Investment Trusts (73) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 81 Mining Finance (2) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 91 Overseas Traders (8) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 99 ALL-SHARE INDEX (709) | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE 100 SHARE INDEX | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### FIXED INTEREST

| Price indices | Wed Mar 22 | Day's change % | Tue Mar 21 | xd adj. today | xd adj. 1989 to date |
|---|---|---|---|---|---|
| British Government | | | | | |
| 1 5 years | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 2 5-15 years | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 3 Over 15 years | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 4 Irredeemables | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 5 All stocks | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Index-Linked | | | | | |
| 6 5 years | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 7 Over 5 years | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 8 All stocks | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 9 Debentures & Loans | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 10 Preference | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

AVERAGE GROSS REDEMPTION YIELDS: [illegible]

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 64 | 14 | 31 |
| Corporations, Dominion and Foreign Bonds | 11 | 1 | 32 |
| Industrials | 243 | 537 | 795 |
| Financial and Properties | 76 | 261 | 329 |
| Oils | 24 | 30 | 44 |
| Plantations | 2 | 0 | 10 |
| Mines | 34 | 49 | 100 |
| Others | 66 | 69 | 100 |
| Totals | 520 | 961 | 1,441 |

### LONDON RECENT ISSUES

EQUITIES

[illegible]

### FIXED INTEREST STOCKS

[illegible]

### RIGHTS OFFERS

[illegible]

### TRADITIONAL OPTIONS

● First Dealings Mar 20
● Last Dealings Apr 7
● Last Declarations Jun 29
● For settlement Jul 10

For rate indications see end of London Share Service

Calls in Richardson West, Dale-minster, Monarch Res, D.C. Cook, Amal Fin Inv, Tusker, Tebstar, Clarkson H. Williams J, Capital Radio, Magnet, Oliver Res, Racal, Saatchi & Saatchi, Greenall Whit, Unigate, Norfolk Cap.

### LONDON TRADED OPTIONS

ROLLS-ROYCE might have been thought to have coasted away from the field in London Traded Options Market dealings had not a late run from British Gas not given it a challenge, and also created a reservation of judgment, about which stock did the more business.

The Rolls-Royce business was transacted against the background of its strong profits report for 1988 - £197m compared with the £156m in 1987 - and the news of a £1bn contract from American Airlines. Options trading in the stock – one of the few to show a gain on price on the underlying market, of 3p to 174p - came to 3,559 contracts, of which 3,246 were call and 133 put.

British Gas, the options market leader of the previous day, had traded only 772 contracts by 2.30 p.m.. By the end of the day, it had found 2,390 on an immediately matched basis, consisting of 1,761 calls and 1,169 puts. The underlying share price lost 3p on balance to 177½p. Heavy deals not immediately matched were reported, however, in the March 160 calls and March 180 puts, of some 1,000 contracts apiece.

The Rolls-Royce business was concentrated in the April 160 calls and June 180 calls, and included a closing down of positions in the former and an opening in the latter.

Weakness on Wall Street affected dealings in the FT-SE 100 index option, as the index itself fell 23.6 points on the day to 2,046.6. Turnover in the index on the options market came to 8,034 contracts, comprising 3,217 calls and 4,817 puts, again showing a share of overall business of about 20 per cent – less than that common over recent months but more than that sometimes seen of late.

The breweries stocks were again affected by the Monopolies and Mergers Commission report on the tied house system, with Allied Lyons, down 13p on the underlying market to 445p, attracting 1,971 contracts, of which 444 contracts lay in the April 460 calls and 443 in the July 460, with a little opening of interest seen in them.

| Option | | Calls Apr | Calls Jul | Calls Oct | Puts Apr | Puts Jul | Puts Oct |
|---|---|---|---|---|---|---|---|
| Allied Lyons (*446) | 420 | 32 | 46 | – | 3½ | 11 | – |
| | 460 | 7 | 24 | 37 | 19 | 29 | 37 |
| Brit. Airways (*193) | 180 | 17 | 22 | 26 | 2 | 8 | 9 |
| | 200 | 4 | 11 | 16 | 10 | 18 | 20 |
| | 220 | 1½ | 6 | 8 | 27 | 33 | 35 |
| Trafalgar (*354) | 330 | 30 | 38 | 48 | 3 | 11 | 14 |
| | 360 | 9 | 20 | 30 | 12 | 24 | 28 |
| Utd.Biscuits (*313) | 280 | 36 | 44 | 51 | ½ | 6 | 7 |
| | 300 | 17 | 30 | 38 | 3 | 13 | 15 |
| | 330 | 4½ | 14 | 23 | 20 | 31 | 32 |

| Option | | Calls Mar | Calls Jun | Calls Sep | Puts Mar | Puts Jun | Puts Sep |
|---|---|---|---|---|---|---|---|
| Amstrad (*142) | 140 | 4½ | 15 | 21 | 3½ | 9 | 12 |
| | 160 | 1 | 8 | 13 | 20 | 22 | 24 |
| | 180 | ½ | 3½ | 7 | 40 | 41 | 42 |
| Barclays (*430) | 390 | 42 | 57 | 67 | 1 | 3 | 8 |
| | 420 | 13 | 30 | 43 | 3 | 18 | 16 |
| | 460 | 1 | 11 | 20 | 33 | 35 | 40 |

Remaining traded options price tables (remaining stocks and FT-SE Index options): [illegible]

Opening index 2073.0; 10 am 2066.2; 11 am 2055.5; Noon 2052.0; 1 pm 2052.5; 2 pm 2055.8; 3 pm 2053.8; 4 pm 2053.6; 4.05 pm 2052.9. Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

## INTERNATIONAL APPOINTMENTS

# Phelps Dodge to have a change of leadership

PHELPS DODGE, the largest US copper producer, has named Mr Douglas Yearley, 53, as the future chairman and chief executive officer.

Mr Yearley, currently an executive vice president and president of the firm's industries division, will succeed Mr G. Robert Durham, 60, at the annual meeting on May 3.

Mr Leonard Judd, 49, executive vice president with primary responsibility for the company's mining operations, will fill Mr Durham's other post of president and also become chief operating officer.

Mr Durham is to retire on June 30, having "reached the goals set for the company earlier than expected."

These were to reshape and reposition Phelps Dodge to make it pre-eminent in copper mining, to strengthen it financially and to diversify aggressively but prudently. Mr Durham will continue to serve the company as a consultant.

* * *

FORD Motor, of the US, the world's second-largest automotive group, declared that Mr William Clay Ford Jr, great-grandson of company founder Henry Ford, will join its truck operations on May 1.

Mr Ford, 31, will become engineering and manufacturing manager for heavy trucks on July 1. For the intervening two months to July, he will be on special assignment, reporting to Mr Kenneth Smith, heavy truck general operations manager. Mr Ford is currently in charge of the company's subsidiary in Switzerland.

It was announced last week that his father, Mr William Clay Ford, youngest and last living grandson of Henry Ford, is to retire as vice chairman of Ford at the end of this month after 40 years service.

* * *

BOEING, the US commercial and military aeroplane manufacturer, has elected Mr George Shultz, former US Secretary of State and currently professor of international economics at Stanford University, as a director, increasing the size of the board to 13 members.

Mr Shultz is also a director of Chevron, General Motors and Bechtel.

# Seagram names future head for its operations in the US

JOSEPH E. Seagram, US subsidiary of the Canadian Seagram group, the world's largest drinks concern which has just reported a record year for sales and net income, designated Mr William Pietersen to the new post of president of its Seagram USA unit, with effect from July 1.

As US head, Mr Pietersen, 51, will report to Mr Edgar Bronfman Jr, who is to become president and chief operating officer of the Seagram group and Joseph Seagram from July (as previously announced). Mr E. Bronfman Jr is expected to eventually take over the Seagram helm from his father, Mr Edgar M. Bronfman.

Mr Pietersen will be executive vice president, USA, of the two concerns, taking over Mr Bronfman Jr's current responsibility for overseeing Seagram's distilled spirits, wine cooler and Tropicana orange juice businesses.

Mr Jerome Mann will succeed Mr Pietersen as president of the House of Seagram, the distilled spirits division of Seagram USA. Before joining Seagram last August, Mr Pietersen had been president of Guinness America since 1986.

NIXDORF Computer Engineering Corporation (NCEC), the Massachusetts-based US offshoot of Nixdorf Computer AG, previously a high-flying West German computer maker whose profitability has been severely hit in the past year by fierce competition, announced the appointment of Mr John M. Paul as president of the US corporation.

He succeeds Mr Bernhard Wobker, who is assuming worldwide responsibility for the development and marketing of all Unix (R) products for Nixdorf Computer AG. Mr Paul served as vice president, Unix Products, prior to his elevation to president of NCEC.

* * *

FRIED. KRUPP, the troubled West German steel and engineering group, announced that Mr Rainer Lommatzsch, for 12 years corporate officer in charge of the public affairs department at the group's headquarters, will leave the company by amicable agreement at the end of this month.

Mr Lommatzsch, aged 58, is to devote himself to new challenges in the media landscape. He will be succeeded by Jürgen Claassen, 31.

SHEARMAN & Sterling, one of the leading US law firms, has elected as partners Mr Robert Herzstein and Mr Thomas Wilner, two of the leading international specialists in the US.

Both were previously with the Washington DC law firm Arnold & Porter. They are to play a leadership role in substantially developing the capacity of Shearman and Sterling's Washington office.

Widely known abroad, they will also work with clients in the company's London, Paris, Tokyo, Hong Kong, Abu Dhabi and Toronto offices.

Mr Herzstein said: "The global economy rapidly taking shape has created a need for law firms to handle the transactions and regulatory needs of clients in different countries at the same time."

* * *

KANSALLIS-Osake-Pankki, one of Finland's largest commercial banks, has appointed at its New York branch Mr Yves Desgouttes as chief officer, trading and investments.

* * *

INCO, Canada-based producer of nickel and copper, has elected three directors: Mr Walter Curlook, Mr Charles Hantho and Mr Robert Richardson.

# Prominent figures named for CRH board

CRH, the Dublin-based international building materials group and one of Ireland's biggest companies, intends to propose at the annual meeting on May 10 the appointment of Mr David Kennedy and Mr Peter Sutherland as directors.

The firm was until mid-1987 known as Cement-Roadstone Holdings.

Mr Kennedy, 50, joined Aer Lingus in 1962 and became chief executive in 1974, a post he held until taking retirement last December. He is a member of the National Economic and Social Council and the executive committee of the Confederation of Irish Industry.

He was chairman of the Association of European Airlines in 1979-80 and president of the International Air Transport Association in 1983-84.

Mr Sutherland, 43, has had a distinguished law career, both at the Irish Bar and internationally, and served as Attorney-General in two Irish Governments in the early '80s.

His four-year term to 1988 as EC Commissioner for Competition and Relations with the European Parliament has been widely acclaimed. He was awarded the Gold Medal of the European Parliament and the first European Law Prize in Paris last year.

* * *

SALOMON Inc. and its Salomon Brothers subsidiary, a leading Wall Street securities house, elected Mr John Macfarlane treasurer of both concerns. Mr Jeffrey Smith remains assistant treasurer.

Mr Macfarlane, named a managing director in January last year, succeeds as treasurer Mr Mark Rein, who died in an airplane crash last December.

Since joining Salomon Brothers in 1979, Mr Macfarlane has held positions in the US dollar interest rate swaps section. He will continue to head the finance department.

* * *

CHASE Manhattan, second-largest US bank, appointed senior vice president Mr Russell Magarity senior managing director, Chase Manhattan Asia, its Hong Kong-based investment banking unit.

## COMPANY NOTICES

**GENERAL MOTORS CORPORATION**

Further to the DIVIDEND DECLARATION OF 17 February 1989 NOTICE is now given that the following distribution will become payable on and after 15 March 1989 against presentation to the Depositary (as below) of Claim Forms listings Bearer Depositary Receipts.

| | |
|---|---|
| GROSS DISTRIBUTION | 7.50 CENTS |
| LESS 15% US WITHHOLDING TAX | 1.125 CENTS |
| | 6.375 CENTS PER UNIT |
| CONVERTED at 1.7170 = | 3.71287 PENCE PER UNIT |

Barclays Bank PLC
Stock Exchange Services Department
54 Lombard Street, London EC3P 3AH

**USDOL 200.000.000**
**Batif tranche a and tranche b**
**Guaranteed floating rate notes with**
**Guaranteed floor warrants due March 1996**

For the six months period March 23, 1989 to September 25, 1989 the notes will carry an interest rate of 11½% per annum with an interest amount of USDOL 574.79,- per USDOL 10.000.- note.
The interest amount per floor-warrant tranche a : 0
tranche b : 0

The relevant interest payment date will be September 25 1989

Banque Paribas (Luxembourg) S.A.
Agent Bank.

**COMPANY NO. 2056107**
**Registered in England and Wales**

**I-CRAFT LIMITED**

***Principal place of business:***
**PARK TRADING ESTATE,**
***ASHTON-IN-MAKERFIELD***

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at the offices of Cork Gully, Abacus Court, 6 Minshull Street, Manchester, M1 3ED on 6 April 1989 at 11.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

A proxy form is enclosed. Creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting, other creditors are only entitled to vote if:-

(a) they have delivered to us at the address shown above, no later than noon on 5 April 1989, written details of the debts they claim to be due to them from company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Date: 20 March 1989

Signed:
Joint Administrative Receiver

No: 007054 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
MR. JUSTICE MILLETT

IN THE MATTER OF APOLLO METALS PLC
AND
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE is hereby given that the Order of the High Court of Justice (Chancery Division) dated Monday 23rd January 1989 confirming (i) the reduction of the amount standing to the credit of the Share Premium Account of the Company by £781,179 and (ii) the cancellation of the amount of £382,821 standing to the credit of the Capital Redemption Reserve Fund of the Company was registered by the Registrar of Companies on 8th March 1989.

Dated this 16th day of March 1989

Gold Mann & Co
80 Fleet Street
London, EC4Y 1EL

*Solicitors for the above named Company*

**NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN JAPAN ASSOCIATED FINANCE CO. LTD.**

We are pleased to announce that copies of the Japan Associated Finance Co. Ltd., (JAFCO) Annual Report for the fiscal year ended 30th September, 1988, are now available to EDR holders from The Bank of Tokyo, Ltd., Northgate House, 20/24, Moorgate, London, EC2R 6DH and The Bank of Tokyo (Luxembourg) S.A., 1-3 Rue du St. Esprit, 1475, Luxembourg.

Bank of Tokyo International Limited
(Depositary)
23rd March, 1989

**NATIONAL BANK OF CANADA**
*(A chartered bank governed by the Bank Act of Canada)*

**US$ 150,000,000**
**Floating Rate Debentures, Series 7, due 1998**

In accordance with the description of the Series 7 Debentures, notice is hereby given that for the six month Interest Period from March 21, 1989 to September 21, 1989 the Series 7 Debentures will carry an Interest Rate of 10⅝% per annum. The Coupon amount payable on Series 7 Debentures of US$ 25,000 will be US$1,357.64

The Reference Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

**MINORCO**

**NOTICE TO HOLDERS OF *BEARER SHARE CERTIFICATES* PAYMENT OF COUPON NO.3**

With reference to the notice of proposed interim dividend advertised in the press on March 21, 1989 the following information is published for the guidance of holders of bearer share certificates.

The dividend of 14 cents was declared in United States currency. The dividend will be paid on or after May 8, 1989, against surrender of Coupon No.3 detached from bearer share certificates as follows:

(a) at the offices of the Corporation's Continental paying agents:-

Banque Générale du Luxembourg
14, rue Aldringen
Luxembourg City
Grand Duchy of Luxembourg

Crédit du Nord,
6-8 Boulevard Haussmann,
75009 Paris

(b) at the London Securities Department of Hill Samuel Bank Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in United States dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in *United Kingdom* currency either:-

(i) in respect of coupons lodged on or prior to May 1, 1989, at the United Kingdom currency equivalent of the United States currency value of their dividend on April 11, 1989; or

(ii) in respect of coupons lodged on or after May 2, 1989, at the prevailing rate of exchange on the day the proceeds are remitted to the London Securities Department of Hill Samuel Bank Limited.

Coupons must be left for at least four clear days for examination (eight days if payment in United States currency has been requested) and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Hill Samuel Bank Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made the net amount of the dividend, after deducting United Kingdom income tax at 25% will be 10.5 cents (United States) per share.

In the case of payments made in United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

Copies of the 1989 Interim Report of Minorco will be available after March 22, 1989 from the Registered Office of the Corporation and the offices of the paying agents referred to above.

By Order of the Board
D.E. Fisher Secretary

March 23, 1989

**CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE NOTICE TO SHIPPERS AND CONSIGNEES FREIGHT RATES TO CHINA**

The Member Lines of the above Conferences operating Services between Ports in the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime, St. Lawrence River and Great Lakes Ports have to advise Shippers and Consignees that Ocean Rate Levels will be increased as follows effective 1st June 1989.

**SECTION 1**
Service 1 Rates
*Per 20 FT Container*
Rates to be increased by CAN. DOLLARS 120

Per 40 FT Container
Rates to be increased by CAN. DOLLARS 175

Service 2 Rates
Existing differential over Service 1 Rates to be maintained

Service 3 Rates
Not to be increased

Tank Container Rates
To be increased by CAN. DOLLARS 175 per Tank Container

Temperature Controlled Container Rates
To be increased by CAN. DOLLARS 175 per Temperature Controlled Container

**SECTION 2 AND 3 RATES**
Increases as detailed above to apply

Atlantic Container Line B.V.
Canada Maritime Limited
Cast (1983) Limited
*Hapag-Lloyd A.G.*
Orient Overseas Container Line (UK) Limited

CANADIAN ATLANTIC FREIGHT SECRETARIAT LIMITED

Secretaries

Stoner House,
Kiln Mead, Crawley
West Sussex RH10 2BG.

March 1989

## LEGAL NOTICE

**LINEMARK PRINTING LIMITED**

Registered number: 2164945
Nature of business: Printing.
Trade classification: 10
Date of appointment of joint administrative receivers: 9 March 1989.
Name of person appointing the joint administrative receivers: Midland Bank plc
JOHN FREDERICK POWELL and IAN NAPIER CARRUTHERS
Joint Administrative Receivers
(Office holder nos 249 and 814) of Cork Gully
43 Temple Row, Birmingham B2 5JT

# BAT Industries up 18% to £1.64bn

By Nick Bunker

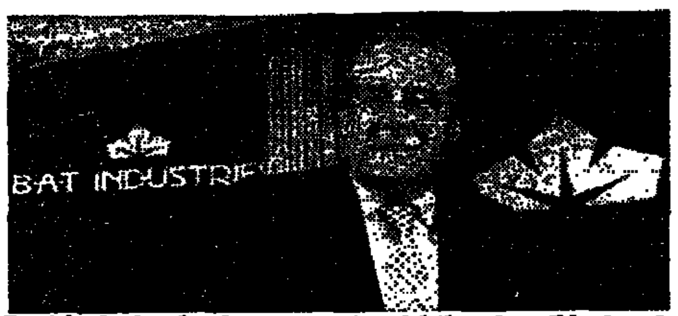
CIGARETTES and tobacco provided less than half the trading profits of BAT Industries for the first time last year, with the diversified multinational reporting 1988 pre-tax profits up 18 per cent at £1.64bn.

The main feature of the results was a 66 per cent advance to £442m in trading profits from its growing financial services operations, led by Eagle Star, the composite insurer.

The profit-and-loss figures contained no contribution though from Farmers Group, the US insurer BAT bought for £2.9bn in mid-December.

Group turnover was up 3 per cent at £17.65bn. Earnings per share rose 19 per cent to 62.81p, covering slightly more than three times the total dividend for the year, up 19 per cent at 20.1p.

Mr Patrick Sheehy, BAT chairman, struck a confident note about Los Angeles-based Farmers, in the face of stock market worries over consumer protests about the high cost of motor insurance in California.




Patrick Sheehy: Our lawyers are hopeful that the roll-back and freeze on premium rates will be declared unconstitutional

By early June, the state's Supreme Court must rule on the constitutionality of the central elements of Proposition 103, the measure passed by voters there last November which called for swingeing premium reductions.

Mr Sheehy said BAT had reviewed all possible post-103 scenarios, and had not changed its view of the insurer's potential. "Our lawyers are hopeful that the roll-back and freeze of premium rates will be declared unconstitutional," he added.

One worry is that fears about 103 could cause defections among the thousands of agents through which Farmers sells insurance. But Mr Brian Garraway, BAT deputy chairman, said Farmers had done "an excellent job of communicating with all their agents. They are apprehensive, but not overly concerned."

Tobacco trading profits themselves were up 5 per cent at £756m, on turnover up marginally at £7.003bn. BAT's US subsidiary Brown & Williamson showed a trading profits increase of 8 per cent, with growing exports to the Far East more than offsetting a small decline in its domestic market.

Brown & Williamson had an "excellent year", BAT said, with its share of the US cigarette market unchanged at 11 per cent.

Retailing trading profits were little changed at £204m (£203m), but Chicago-based Marshall Field produced a 13 per cent advance while in the UK the growing Argos catalogue-based store chain increased turnover 20 per cent to £834m and improved margins helped trading profits rise to £60m.

See Lex

# Britannia Arrow down sharply to £27.1m

By Andrew Hill

THE rigours of the Financial Services Act, and the aftermath of the October 1987 stock market crash cut pre-tax profits at Britannia Arrow Holdings, the fund management and financial services group, by 35 per cent from £41.8m to £27.1m in the year to December 31.

As foreshadowed at the interim stage, Britannia's UK unit trust arm was particularly hard hit by structural changes to the way in which units are priced.

Turnover, excluding banking and insurance, dropped from £1.26bn to £757m. Earnings per share were down to 8.4p (13p), but Britannia maintained its final dividend at 3.2p, making an unchanged 5.5p for the year.

Mr Ratan Engineer, Britannia's new finance director, said 1989 had started reasonably well.

UK investment management income, which includes unit trust income, more than halved to £7.8m (£15.8m), but international investment income was comparatively solid at £15.9m (£16.4m). Insurance income rose from £455,000 to £1.51m and income from other investments from £5.36m to £6.36m.

Funds under management at the year-end stood at £17.4m (£15.7m).

At the end of 1988, Britannia bought the outstanding 55 per cent of Invesco, the US pension fund manager, for $133m (£77m).

● COMMENT

1989 looks like being a dull year for Britannia. The worst effects of the FSA are already accounted for in the share price, which dropped 2p to 122p yesterday, but recent developments are shifting the balance away from unit trusts towards a new base of international fund management. In particular the increased contribution from Invesco, now wholly-owned, could boost international investment management income to £19m in 1989. Investors are unlikely to get excited by bid prospects: Mr Robert Maxwell accounts for 20 per cent of the shares, clients of MIM Britannia for 14 per cent and British and Japanese institutions for a further 25 per cent. Profit forecasts of about £31m before tax in 1989 put the shares on a prospective multiple of around 13. That looks dear and is not really redeemed by a prospective yield of some 6.3 per cent.

# Order books at record levels as Rolls-Royce rises to £168m

By Michael Donne and Vanessa Houlder

ROLLS-ROYCE, the UK aero-engine manufacturer, earned pre-tax profits of £168m for 1988, compared with £156m in the previous year.

The result was achieved after an exceptional item of £29m to cover redundancy payments during 1988. Some 1,900 personnel left the company, reducing the overall work-force to 40,400. No further cut-backs are expected in 1989.

Sir Francis Tombs, chairman, said the company was pleased with the results, especially in view of the weak dollar and labour problems in the early part of last year. The latter served to marginally reduce turnover, from just over £2bn to £1.97bn.

At the end of the year, the order book for civil and military engines and other activities amounted to a record £4.1bn against £2.8bn in 1987.

Commercial activity continued to be "very strong", and the civil engine order book alone increased from £1.5bn to £2.2bn, with many further big orders in the pipeline. Another major deal with American Airlines was announced yesterday, adding about £1bn to the overall order book.

Currently, the company had about 20 per cent of the world civil market for aero-engines, but believed that a total of 30 per cent was within its grasp over the next few years.

A recommended final dividend of 4.2p makes 6.3p (5.25p).

● COMMENT

Rolls-Royce's statement of profits at the top end of expectations was yesterday upstaged by the dramatic announcement of £1bn of new orders from American Airlines. With those orders supplementing an already chunky order book, the medium term prospects now seem excellent. In the shorter term deliveries of engines for civil aircraft are expected to show a sharp rise this year, even though margins may decline further as a result of the weak dollar. Once again, forecasts are spread over a large range, as analysts differ over the likely impact of the dollar, increased civil deliveries and fluctuations in research spending. Assuming, however, pre-tax profits of £210m, the shares, up 3½p to 174p are on a multiple of 7½. That seems undemanding — particularly if there is any credence in the speculation that the the 15 per cent ceiling on foreign shareholdings is soon to be lifted.

# J Maunders advances to £3.7m

JOHN MAUNDERS Group, the Manchester-based housebuilder and industrial property developer, more than doubled pre-tax profits from £1.76m to £3.73m in the six months to December 31. This rise was struck on turnover increased 43 per cent to £24.1m.

Investment income fell to £28,000 (£110,000) and interest and similar charges increased to £1.1m (£405,000). Earnings jumped to 9.95p (4.48p) and an interim dividend of 2.1p (1.05p) is declared.

The company said that demand in the north-west – where house prices were still increasing, in contrast to the south – remained strong. Markets in the south and East Anglia had weakened, due to changes in mortgage relief and interest rates.

The company maintained that its strong forward sales position would, to a large effect, cushion it from difficulties in these areas. It is seeking to sustain and supplement its existing strong land bank.

# Bridon makes strong recovery

By John Ridding

BRIDON, the Doncaster-based wire rope manufacturer, yesterday announced pre-tax profits of £13.5m for 1988, up 75 per cent over 1987 when the group suffered from heavy rationalisation costs.

Turnover rose by 8.4 per cent to £212.5m. However, the increase would have been around 12 per cent excluding the impact of adverse exchange rate movements.

Earnings per share increased by 142 per cent to 17.4p (7.2p) reflecting a decreased tax charge. This was the result of higher profits in the US where the company could take advantage of tax losses brought forward, the tax allowance in the UK for rationalisation expenses provided for in the 1987 accounts, and a cut in the corporate tax rates in Australia.

The board has recommended a final dividend of 5p (4.5p) giving a total for the year of 7p (6p).

Since the end of the year Bridon has disposed of its shareholdings in TWIL, the UK's largest wire manufacturer. Bridon's other main UK related company, Templeborough Rolling Mills, performed much better in 1988 as a result of a major rebuilding of its billet furnace.

Sir Christopher Laidlaw, chairman, described the performance as "notably better" and said the improvement stemmed from the tighter management structure put in place in the summer of 1987 and consequent reductions in the cost base.

With respect to the group's markets the company said that competition in the wire rope market had intensified last year and that this had impacted particularly on the European division.

The fibres division, by contrast, enjoyed a substantial improvement, with profits rising from £1.4m to £2.7m.

● COMMENT

Although Bridon's results came in slightly below market expectations they represented reasonable progress along the road to recovery after the dislocations of 1987. This year should see further benefits from the rationalisation moves and new management structure. The severing of links with TWIL, which was finally completed earlier this month will also provide advantages. Although TWIL is profitable and contributed around £6m last year to Bridon's overerall profits, Bridon never had any management control and dividends received were only £1.3m. The three companies it received as part of the deal were acquired on good terms and the £25.5m cash received ensured that from Bridon's viewpoint the agreement was beneficial. The key question now is what the group does with the funds. Analysts argue that Bridon must now buy into wire rope manufacturing businesses or build up in other areas. With respect to markets, 1989 is unlikely to see much change and this means that in Europe in particular competition will remain tough. As a result cost reduction remains a priority. Prospects in the US are, however, brighter and despite the failure of the Bethlehem acquisition Bridon should be able to increase its share of the market. Assuming profits of £16m the shares are on a multiple of 10 - fair value given the likelihood of further improvement.

# London Forfaiting up to £20m but warns of fall

By Philip Coggan

LONDON FORFAITING, the trade finance company which floated on the USM last year, yesterday reported a 21 per cent jump in 1988 pre-tax profits but warned that profits were likely to fall in 1989.

Mr Peter Buckley, chairman, said that market conditions, which had worsened in the second half of 1988, had continued to deteriorate in the first two months of this year. The news knocked over 10 per cent off the share price which fell 21p to 157p.

Pre-tax profits were £19.99m (£16.53m) but earnings per share, on the enlarged capital after flotation, fell to 15.92p (17.01p). However, the directors are declaring a final dividend of 4.625p, making a total of 7.25p, higher than indicated at flotation.

Mr Jack Wilson, chief executive, said that during the year the company had taken a more cautious approach to the expansion of its asset portfolio, partly because of increasing interest rates and partly because margins had slimmed on high quality credits.

The result was that gearing, as defined as the ratio of bank borrowings to capital and reserves, fell from 4.08 to 2.83.

However, Mr Wilson said that during his 15 years in trade finance he had never known a time when it had been so difficult to predict the likely movement in exchange and interest rates. The sharp rise in D-Mark rates had been particularly unexpected.

However, Mr Wilson said he was optimistic for the long term because of the group's progress in project finance, in its Cyprus-based lending and because of the opportunities for expansion in the Far East.

● COMMENT

A rise in interest rates is not only bad news for homeowners and housebuilders. Forfaiting is a trade finance technique which essentially involves the issue of fixed rate paper; to put it simply, when interest rates rise, the value of that paper falls. It is possible for forfaiters to hedge against this possibility but the problem is that interest rates rose too far too fast last year. London Forfaiting still holds plenty of paper which was first on the books when rates were lower. With not much prospect of a rapid worldwide fall in rates, and with London Forfaiting determined not to chase higher margin, higher risk business, the prospects for this year are none too encouraging. If pre-tax profits fall to £15m, the shares are on a prospective p/e of 14. Although there is some yield support, the shares look like they have further to fall.

# Tibbett up 31% to £6.32m and launches rights

By Patrick Butler

TIBBETT & BRITTEN Group, which provides transport and distribution services for the retail and clothing industries, lifted pre-tax profits 31 per cent to £6.32m in 1988.

Turnover rose 34 per cent to £68.67m (£51.14m). Earnings per share were 15.5p (11.9p).

Tibbett also announced a £16m rights issue on the basis of one-for-four at 258p per share.

Proceeds will be used to repay borrowings and meet spending plans for 1989. Planned expenditure is about £16m — of which £8m is already committed.

The group's two new operating divisions — Retail Consolidation Services (RCS) and Dartford Securities (DSL) — continued to feature, providing more than 90 per cent of revenue growth. RCS develops new distribution operations while DSL designs and manages regional distribution centres for Marks and Spencer.

Mr John Harvey, chairman, said the strategic move into the grocery, toiletries and household and consumer electricals sectors last year, had proved very successful.

"In terms of growth, we are already up 20 per cent this year on last year's figure." The group had also taken on 1,200 extra staff during the year.

# Charles Church raises offer

By Ray Bashford

THE MANAGEMENT of Charles Church Developments, has increased the price it is offering to buy out minority shareholders to a level which values the Surrey-based house builder at £103.7m.

The Church family, which controls 71 per cent of the capital, is offering 120p cash per share compared with the 115p proposed last month when the management buy-out plan was announced.

Mr Charles Church, chairman, said the increase had been made to "assist small shareholders whose investment has become sadly depleted."

Most of these small shareholders, who hold a relatively small proportion of the shares on issue, have owned their investments since the company came to the market in April 1987 at 115p per share.

The bulk of the shares in issue are held by between 20 and 30 shareholders who have been trading their shares, Mr Church said.

The shares advanced from 73p in the week before the announcement last month of the proposed buy-out, prompting the Stock Exchange to make enquiries.

Share purchases made at the time have been traced back to a nominee holding of a Swiss bank.

The decision to buy out the minority shareholders for a price which values the 29 per cent stake at £29.7m was made because the stock market undervalues the group's long term prospects, the chairman said.

# Remainder of Lasmo bond placed

By Clay Harris

The residue of the £150m debenture for London & Scottish Marine Oil (Lasmo), a new issue which sparked disarray in the London bond market earlier this month, was placed yesterday.

The balance was placed by Cazenove at 165 basis points over the yield on the 9 per cent Treasury 2008 at 3pm yesterday. This compares with the original spread of 140 basis points, although Cazenove noted that spreads in general had widened by about 10 to 15 basis points in the intervening period.

Barclays de Zoete Wedd and Phillips & Drew are still not making markets in the stock which they shunned on March 9 because the two issuing houses, Cazenove and Morgan Grenfell, were themselves not market makers. BZW and Phillips & Drew had also objected to the pricing of the bond.

## IN BRIEF

DICKIE (JAMES) (drop forging and grey iron castings manufacturer): Taxable loss £336,809 (£282,342) in 1988. Turnover £5.32m (£4.44m). Losses per share 18.2p (13.8p).

HOLDERS TECHNOLOGY (supplier to printed circuit board industry): pre-tax profits £621,000 (£453,000) in year to November 30. Turnover £2.82m (£2.55m). Earnings per share 14p (11p). Final dividend 4p making a total of 6p.

JONES & SHIPMAN: pre-tax profit £1.12m (£523,000) in 1988. Turnover £21.82m (£20.14m). Earnings 6.2p (2p) per share. The final dividend is a recommended 3.35p making a total of 4.5p (4.15p) per share.

TELEMETRIX (maker of electronic products): pre-tax loss for the 18 month period ended December 31 £2.11m (loss £2.41m for six months to January 3 1988). Turnover £18.83. Losses per share 6.3p.

THE HOUSE of Lerose (garment maker and fabric printer): Turnover £16.49m (£15.96m) and pre-tax profits £1.22m (£1.1m) for 1988. Tax £406,000 (£416,000), leaving earnings per share of 14.2p (12.1p). Final 7p making 10p (9.7p) for year.

## UK COMPANY NEWS

# StanChart back in black at £313m

By David Lascelles, Banking Editor

STANDARD CHARTERED, the international banking group, returned to profit last year with a pre-tax result of £313m. This compared with a 1987 loss of £250m which precipitated major strategic and management changes.

The result was at the lower end of market expectations and the shares fell 21p to 558p.

Mr Rodney Galpin, the former Bank of England director who took over as chairman last October, said that in 1988 "the group addressed its immediate problems and began to reshape its future". He said he had launched a major strategic review to determine how Standard Chartered should move forward, and how it should structure its management.

The results would be made known later this summer. But Mr Galpin emphasised Standard's strengths in the fast-growing Pacific Rim countries, and in global treasury and foreign exchange. He said the group would look hard at underperforming assets, and tackle costs. It was also considering the sale of major properties, including its City of London headquarters in Bishopsgate.

Standard's improvement came largely from a sharp reduction in bad debt provisions, and the return to the black of all its regional operations, particularly those in North America and Europe. There was also a sharp profit gain in the Asia Pacific region.

The charge for bad debts was £98m, down from £234m last year, which also saw a £418m exceptional charge for Third World loans. Standard has reduced its exposure to problem Third World countries by about £350m (£203.6m) by trading and swapping assets, completely eliminating in the process its exposure to Argentina, and four other countries. Provisions as a proportion of exposure rose to 35 from 32 per cent.

Following last year's £304m rights issue and other measures, the group's capital position has improved sharply. Its risk/asset ratio under the new Basle rules is 10.4 per cent, comfortably above the 8 per cent minimum. Mr Galpin said Standard had decided not to capitalise property revaluation reserves through a bonus issue like other clearers because its main properties might be sold.

Total earnings per share were 114.8p, compared to a loss the year before of 188.8p. The board is recommending a dividend of 33.9p, up from 32p.

● COMMENT

The figures look a lot better, the capital position is strong, and costs are heading in the right direction. But last year saw the easy gains from a rights issue, and the elimination of the most obvious problem businesses. Standard will need to flesh out its new strategic plan and its management structure in considerably more detail before real progress can be said to be underway. The drop in the share price yesterday was due largely to the sense of anti-climax that accompanies all bank results: the shares are still well above the 400p of the rights issue. At last night's close they yield 8.4 per cent on a p/e of 4.7.

# Britannia Security advances to £5.28m

By John Ridding

BRITANNIA Security Group, the business services and alarm installation company, yesterday announced profits of £5.28m for the six months to December 31, an increase of 21 per cent over the same period in 1987. Share prices rose 6p to 218p.

Turnover rose by 43 per cent to £40.32m and earnings per share were up 9.3 per cent to 6.6p (6.04p).

The board has proposed an interim dividend of 1.08p (0.9p).

The results include three months of contributions from Mather and Platt alarms which was acquired in October, and two months of contribution from Honeywell Shield which was acquired in November following a £29m deal and a one-for-three rights issue.

Mr Kevin Watters, finance director, said that Honeywell Shield has been rapidly integrated with the group's existing intruder alarm operations.

By January, the total combined number of branches had been reduced from 42 to 26, and margins had been improved.

# Mount Charlotte takes 12.7% holding in Norfolk Capital

By David Waller

MOUNT CHARLOTTE Investments, the UK's second largest hotel group after Trusthouse Forte, yesterday emerged with a 12.7 per cent stake in Norfolk Capital, an acquisitive hotel group which expanded rapidly before the stockmarket crash and has since been beset by bid speculation.

Mount Charlotte, which has taken stakes in other hotel companies such as Queen's Moat and THF without launching a takeover assault, played down the move yesterday, saying that the holding should be seen as a friendly investment.

But news of Mount Charlotte's involvement did much to offset City disappointment at Norfolk's 1988 profits figures released yesterday. Norfolk reported pre-tax profits up 12 per cent to £5.34m, but earnings slipped, from 1.8p to 1.03p.

After dropping 1p to 36¼p after the results came out yesterday morning, Norfolk's shares firmed later as Mount Charlotte's interest was disclosed, ending the day 1¾p up at 38¾p against the trend of the market. At this level, the company is capitalised at £159.1m.

Yesterday's figures were boosted by a complicated accounting change. Norfolk used part of the surplus on revaluation of two operations set up during the year to create a special balance sheet provision. This was used to shelter the profit and loss account from the impact of start-up costs, financing costs and trading losses at these two operations – the Caversham Hotel in Reading and the St James Club in California.

Analysts estimated that operating profits – up from £5.1m to £5.53m on turnover up from £32.2m to £43.6m – would have been £1.3m lower but for this move. The provision did not include a loss of £200,000 at the Californian St James Club and £2.25m in interest capitalised by the group in 1988.

The St James Club in Paris lost £1m last year and the London hotels business was hit by the impact of a weak dollar on US tourism. But UK hotels overall improved their contribution to profits, with a strong rise in provincial room rates offsetting a decline in occupancy both in the provinces and the capital.

Net assets per share rose from 37.4p to 47.7p, and the final dividend was raised to 0.36p, making 0.54p for the year, an increase of 20 per cent.

Mr Robert Peel, Mount Charlotte's chairman, said that his company first acquired 4m-5m shares in Norfolk in the aftermath of Black Monday for 23p each. He was offered a line of shares last week and, over a number of days, took the holding to 52.47m shares.

He refused to say what price he paid, although it is thought to have been in line with market prices last week.

● COMMENT

The success of a share-financed acquisition strategy is measured by the extent to which earnings improve as a result. When they fall, as they did last year at Norfolk Capital, then that strategy has surely failed and shareholders have a right to feel aggrieved. In aggregate, yesterday's figures were in line with expectations but the rather odd accounting change did much to disillusion analysts yet further. Even if the company recovers to make 1.3p worth of earnings this year, the shares are still on a wildly unreasonable multiple of nearly 30, justified only by the asset backing – and of course, the presence of a possible predator in the form of Mount Charlotte. What Mr Peel is after remains to be seen, but many people, including Mr Robert Maxwell and Scottish & Newcastle, have taken stakes before and baulked at the idea of paying a bid premium to an already inflated price.

# Steel Burrill Jones sees 17% decline to £3.73m

By Nick Bunker

THE WEAK market for marine reinsurance which preceded last summer's Piper Alpha oil rig disaster has continued to take a heavy toll on Steel Burrill Jones, the Lloyd's broker, which yesterday reported annual pre-tax profits down 17 per cent at £3.73m.

However observers at Lloyd's are already predicting that the sharp upturn in reinsurance premium rates following Piper Alpha could boost SBJ's turnover by 25 per cent this year, and help reverse two years of falling earnings.

SBJ's brokerage turnover, heavily dependent on the esoteric London marine excess-of-loss (LMX) reinsurance market, rose only 5 per cent to £10m in the 12 months to December 31.

This included £1.55m from H Stephenson, a provincial retail insurance broker purchased by SBJ last June as part of a planned diversification away from over-reliance on LMX business.

Expenses grew 21 per cent to £8.61m. Investment and other income was up 13 per cent at £2.24m. Net profits after tax and minorities were down 23 per cent at £2.2m, while earnings per share fell 28 per cent to 11.7p.

● COMMENT

The whiplash reaction to Piper Alpha in the marine reinsurance market came not a moment too soon for SBJ. Later this year, especially after June when most oil rig reinsurance is renewed, the results should flow through with a vengeance to boost SBJ's commission income. For 1989, pre-tax profits could rise to about £5m, leaving the shares yielding an attractive 8.1 per cent prospectively. The best news though is that 1988 (when it only just managed to keep its dividend unchanged at 10p) has brought home an important lesson: that SBJ's mature LMX business needed to be counter-balanced by less volatile, though perhaps lower-margin activities. SBJ's two able new senior executives, Mr George Boden and Mr Tony Keys, are now talking to other potential acquisition targets besides Stephenson. SBJ will have a tough job though equalling the rapid advances being made by the young team at the other quoted Lloyd's broker of similar size, Lloyd Thompson, where interim pre-tax profits were up 22 per cent at £2.87m yesterday.

# Baird in £29m acquisition

WILLIAM BAIRD, the textile and engineering group, is acquiring the Centaur Group, which manufactures and markets branded ready-to-wear menswear, for up to £29m.

Baird directors said that the purchase will strengthen the group's position in the branded menswear market and provide scope for expansion within existing ranges.

The terms of the deal are tied to the achievement of profit targets over the next three years.

The initial payment of £14m will comprise a cash payment of £74,050 and the issue of 5.8m shares, which will represent 6.4 per cent of the enlarged capital.

Centaur's aggregate net tangible assets totalled £9m at the end of last year.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Barratt Devs ........int | 3.21 | - | 2.79 | - | 11.16 |
| BAT Industries ........fin | 12.5☆ | June 9 | 10.4 | 20.1 | 16.9 |
| Bostrom ........fin | 1.5 | May 19 | - | 1.5 | - |
| Bowater Inds ........fin | 8.25 | - | 7.25 | 15.25 | 12.5 |
| Brake Brothers ........fin | 2.4 | - | 1.9 | 3.4 | 2.7 |
| Bridon ........fin | 5 | - | 4.5 | 7 | 6 |
| Britannia Arrow ........fin | 3.2 | - | 3.2 | 5.5 | 5.5 |
| Britannic Ass ........fin | 11 | - | 9.166* | 16.6 | 14* |
| Brit Security ........int | 1.08† | - | 0.9 | - | 2.25 |
| British Mohair ........fin | 6.6 | - | 6.1 | 8 | 7.5 |
| Cookson Group ........fin | 5.25 | July 3 | 4* | 7.75 | 6* |
| Croda Intl ........fin | 6.2 | July 3 | 5.6 | 10 | 9 |
| Davies/Metcalfe ........fin | 2.7466 | - | 1.75 | 3.4236 | 2.38 |
| Emess ........fin | 6.6† | May 25 | 5.2 | 10 | 8 |
| Fitch-RS ........fin | 6.5 | - | 5.5 | 9.5 | 8 |
| Gaskell B'loom ........fin | 5 | - | 4.4 | 7.5 | 6.6 |
| Gabicci ........int | 1.4 | Apr 21 | 1.4 | - | 4 |
| Guidehouse Grp §........fin | 1 | July 3 | 1 | 1.4 | 1 |
| Holders Tech § ........fin | 4 | - | - | 6 | - |
| House of Lerose ........fin | 7 | - | 8.7 | 10 | 9.7 |
| Hunting Pet Srvs ........fin | 6 | - | 5.5 | 9.5 | 9 |
| Jones & Shipman ........fin | 3.35 | May 18 | 3 | 4.5 | 4.15 |
| Kingfisher ........fin | 7.2 | July 7 | 6 | 10.5 | 9 |
| Kleinwort Benson........fin | 8.7 | June 5 | 8.7 | 14 | 14 |
| Laporte Inds ........fin | 8.7 | May 22 | 7.6 | 13.7 | 12 |
| Lloyd Thompson ........int | 1.9 | - | 1.65 | - | 5 |
| Lon Forfaiting §........fin | 4.525 | May 8 | - | 7.25 | - |
| Manders Holdings........fin | 4.55† | - | 3.9* | 6.35 | 5.5* |
| Matthews (B) ........fin | 1.5 | May 12 | 1.125 | 2.5 | 1.75 |
| Maunders (John) ........int | 2.1 | - | 1.05 | - | 3.15 |
| Morgan Grenfell ........fin | 7 | - | 7 | 10.85 | 10.85 |
| Norfolk Capital ........fin | 0.36 | - | 0.3 | 0.54 | 0.45 |
| P-E Intl ........fin | 3.1 | - | 2.4 | 4.5 | 3.8 |
| Relyon Group ........fin | 4.15 | - | 3.25 | 6.25 | 4.9 |
| Rentokil Group ........fin | 2.835 | - | 2.075 | 4.275 | 3.275 |
| Rolls-Royce ........fin | 4.2 | - | 3.5 | 6.3 | 5.25 |
| RTZ ........fin | 10.75 | - | 8.3 | 15 | 11.5 |
| Silkolene ........fin | 7 | May 15 | 5 | 12 | 9 |
| Spring Ram ........fin | 0.46 | - | 0.3685 | 0.66 | 0.7315 |
| Stag Furniture ........fin | 4.25 | May 18 | 4.25 | 6.75 | 6 |
| Stand Chartered ........fin | 22.5† | May 19 | 22.5 | 35 | 35 |
| Steel Burill ........fin | 7.3† | - | 7.3 | 10 | 10 |
| Strong & Fisher ........int | 4 | Apr 28 | 3.7 | - | 12 |
| Sumit ........fin | 3.3 | - | 3 | 4.5 | 4 |
| Tibbett Britten ........fin | 4.1 | May 24 | 3 | 6 | 4.5 |
| Tilbury Group ........fin | 13.9 | - | 7 | 18.5 | 9.2 |
| Trade Indemnity ........fin | 4.36 | - | 3.4 | 7 | 5.6 |
| Turriff Corp ........fin | 8☆ | June 5 | 5.58* | 11.5 | 8.3* |
| VG Instruments ........fin | 3.8† | - | 3 | 5.7 | 4.5 |
| Waterford Foods§........fin | 0.525♣ | - | - | 0.525 | - |
| Willaire Group ........fin | 0.5 | July 3 | 0.25 | 0.75 | 0.25 |
| Wolseley ........int | 2.8 | - | 2.3 | - | 9 |
| Wolstenholme ........fin | 9.5 | - | 8.26 | 15.5 | 10.25 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ☆Carries scrip option. ♣Irish pence.

## PUBLIC WORKS LOAN BOARD RATES

Effective March 22

| Years | Quota loans repaid: by EP† | A†† | at maturity§ | Non-quota loans A* repaid: by EP† | A†† | at maturity§ |
|---|---|---|---|---|---|---|
| 1 | | | 12¼ | | | 13 |
| Over 1 up to 2 | 12 | 12 | 11⅞ | 13 | 13 | 12⅛ |
| Over 2 up to 3 | 11⅝ | 11½ | 11 | 12⅝ | 12½ | 11¾ |
| Over 3 up to 4 | 11¼ | 11¼ | 10⅞ | 12¼ | 12¼ | 11⅝ |
| Over 4 up to 5 | 11⅛ | 11 | 10¾ | 12⅛ | 12 | 11½ |
| Over 5 up to 6 | 11 | 10⅞ | 10⅝ | 11½ | 11⅜ | 11⅛ |
| Over 6 up to 7 | 10⅞ | 10¾ | 10⅝ | 11⅜ | 11¼ | 11⅛ |
| Over 7 up to 8 | 10¾ | 10⅝ | 10½ | 11¼ | 11¼ | 11 |
| Over 8 up to 9 | 10¾ | 10⅝ | 10¼ | 11¼ | 11⅛ | 10¾ |
| Over 9 up to 10 | 10⅝ | 10⅝ | 10⅛ | 11⅛ | 11⅛ | 10⅝ |
| Over 10 up to 15 | 10½ | 10¼ | 9¾ | 11 | 10¾ | 10¼ |
| Over 15 up to 25 | 9⅞ | 9⅝ | 9⅜ | 10⅜ | 10⅛ | 9⅞ |
| Over 25 | 9½ | 9¼ | 9¼ | 10 | 9¾ | 9¾ |

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed, equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

# Morgan Grenfell falls to £33m as closure costs hit

By David Lascelles, Banking Editor

MORGAN GRENFELL gave the reckoning on its painful withdrawal from the UK securities business last December by announcing an overall 1988 loss yesterday. But Mr John Craven, the chief executive of the merchant banking group, said he was convinced Morgan had done the right thing, and was now better placed to advance.

Morgan made £33.8m (£60.1m) before tax last year. After tax and deduction of minority interests, this was reduced to £20.1m. But the closure of the securities operations resulted in a charge of £39.3m which produced a loss of £19.2m. After dividends, the loss was £37.4m.

The dividend total is unchanged at 10.85p.

Closure costs were £52.4m, consisting of £22.3m of staff-related costs, £23m of fixed asset write-off and re-organisation costs, and £7.2m from closure of foreign operations. Against this was a £13.2m tax credit.

Mr Craven said that 376 of the 450 people laid off by Morgan had found new jobs. It spent £2m on job consultants.

The withdrawal had made Morgan "a lot more homogenous and easier to manage," he said. The group was now in three businesses – banking, corporate finance and asset management – where it was excellent and able to succeed.

In banking, the traditional foreign exchange and money market activities made a valuable contribution, and the fee-earning side was active with a good book of business in hand.

The corporate finance department completed 108 (90) transactions, half involving international deals. "We have more work in hand than I can remember," Mr Craven said.

Although asset management produced reduced results of £7.2m before tax because of the effects of the market crash and start-up costs, it was "a well-balanced and increasingly significant member of the group."

He said the volatile nature of the business made it rash to make predictions. But Morgan had capital to build its business in selected markets.

Although he had previously argued that a successful investment bank needed a strong securities capability, he was now convinced that Morgan could thrive as an independent house.

Morgan's venture into the securities business suffered through lacking a strong distribution network, and although his staff had made a valiant effort to correct it, the surplus capacity in the market was such that their efforts had been in vain.

# Second half loss for Kleinwort

By David Lascelles

KLEINWORT BENSON, the City merchant banking group, suffered a £17.3m loss in the second half of last year, reflecting the severe operating conditions in the UK securities markets since the market crash.

The result was considerably worse than analysts had been expecting, and it reinforced the view that the City's recovery from the shock of that event will be long and painful.

Mr David Peake, the chairman, described the loss as "disappointing". But he emphasised that the UK equities operations had returned to profit this year and that 1989 had begun well for the group as a whole. He also reaffirmed Kleinwort's commitment to the equities business which, he said, was a key part of its investment banking strategy.

The second half loss produced a full year pre-tax result of £17.7m, down from £51.6m the year before. The breakdown showed lower earnings of £45.6m against £71.2m from merchant and investment banking. There was a small £359,000 loss from investment management, and a £27.5m charge for interest on loan capital.

After payment of an unchanged total dividend of 14p, the net loss charged to reserves is £9.8m.

The losses were sustained mainly in the equities business. But the group's debt trading operations also performed poorly, and the charge for bad debts was concentrated in the second half.

Mr Jonathan Agnew, group chief executive, said several steps had been taken to remedy the losses on the securities side. Staff numbers had been reduced, and better controls put on costs. Traders were also running a tighter book.

Although investment management also incurred a loss, Kleinwort was determined to remain in that business and build on its substantial client base. A new fee structure was introduced in January.

Income from corporate finance operations was lower in 1988 than in 1987, but Mr Peake said the group was "very busy" and was particularly encouraged by progress in penetrating foreign markets. There was also "a substantial contribution" to profits from investment of the group's capital.

Generally, Mr Peake said Kleinwort was trying to "streamline" its business, and would be concentrating more on selected areas and selling off peripheral operations. It has already sold 25 per cent of its US treasury bond business to Fuji Bank of Japan. Mr Peake emphasised that Kleinwort's capital position remained strong despite the losses. Its risk asset ratio under the new Basle rules was 13 per cent. This had been one factor behind the board's decision not to cut the dividend.

Kleinwort has decided to end its practice of making transfers to and from inner reserves so as to bring more openness to its accounts. Previous results have been restated to reflect this change, but Mr Peake said that the 1988 result would have been no different under the earlier practice. In future Kleinowrt will also make a full bad debt charge immediately instead of rolling it forward over four years.

# Currency changes slow growth at S&N

By Vanessa Houlder

CURRENCY fluctuations put a brake on Smith & Nephew, healthcare and consumer products group, in 1988 when it increased pre-tax profits by 13.3 per cent.

Pre-tax profits rose to £124.2m from £109.6m on turnover that increased by 9.4 per cent to £597.9m (£546.4m). If 1987 exchange rates had applied, sales would have increased by 14 per cent.

Operating profits in the UK increased by 5 per cent reflecting difficult trading conditions due to spending constraints on the NHS and the reduction of stock levels in the retail sector.

The medical supplies business showed growth reflecting a sharp increase in volumes and margins in its US latex gloves business, due to the Aids and Hepatitis crises.

Earnings per share rose by 11 per cent to 9.1p (8.2p). A final dividend of 2.25p per share was recommended, making a total of 3.80p (3.40p) for the year – a rise of 11.8 per cent.

comment

The City has come to terms with the slowdown in Smith & Nephew's growth from the 20 per cent which it served up, quarter in, quarter out in the first seven years of the decade. So even though yesterday's results were marginally below expectations, they caused little disappointment and the share price edged down just 3.5p to 136p. The company reckons that this year the poleaxed denim business should make a partial recovery. And while the squeeze on the NHS is likely to continue, it accounts for only 5 per cent of sales. Overall, the company should benefit from the global increase in spending on healthcare, even though the scope for margin enhancement is likely to be more limited than hitherto. Accordingly, the company is expected to re-establish a reputation for reliability with earnings compounding at around 12 to 15 per cent over the next five years. This year analysts are expecting pre-tax profits of about £150m, which put the shares on a fairly-valued rating of 13.

# Slimmer Bowater rises 41% to £76.7m

By Andrew Hill

BOWATER INDUSTRIES, the packaging and industrial products group, increased pre-tax profits by 41 per cent to £76.7m in 1988, compared with £54.5m in 1987.

Group turnover was up from £1.18bn to £1.46bn and earnings from 36.7p to 46.1p per share. The company is recommending a final dividend of 8.25p, making 15.25p (12.5p) for the year.

By the end of next month the group, which altered its management team substantially during 1987, should have raised about £160m from disposals of peripheral businesses, £120m of which will come through in 1989.

Bowater is now concentrating its attention on four core areas: print and packaging increased operating profits from £22.8m to £29.9m on sales of £341m (£267m) during 1988; coating and laminates made £12.8m (£2.3m) on turnover of £105m (£30.6m); the building materials division's operating profits rose to £18.8m (£14.3m) on sales of £349m (£290m).

Australian interests – tissue and timber, and merchanting and engineering – contributed sales of £118m (£86.8m) and £140m (£107m) respectively, and operating profits of £8.4m (£8.2m) and £8.8m (£5.8m).

Since the year-end, Bowater has bought a 25.7 per cent holding in Norton Opax, with a view to co-operating with the specialist printer on areas of common interest, and launched an £81m cash counter-bid for Chamberlain Phipps, the shoe components and adhesives group.

Mr David Lyon, chief executive, said these moves accounted, or would account for, most of the disposal proceeds, but the group would still consider further small acquisitions, particularly in print and packaging and coating and laminating.

● COMMENT

The slimmed-down, reconstituted Bowater looks increasingly attractive. Margins were up from 5.1 to 6 per cent last year, helped by a strong contribution – £70m of turnover at very favourable margins – from Rexham Corporation, the US packaging, coatings and laminates business bought at the tail-end of 1987. This year's results will be suffused with the glow of disposal proceeds and analysts are forecasting up to £90m before tax, putting the shares, which rose 2p to 478p yesterday, on a prospective p/e of about 9. The future is slightly overshadowed by the possibility that the Bowater/Norton Opax situation may yet be forced to a messy conclusion. Bowater insists the holding is a long-term investment; Norton seems less convinced. Analysts fear a potentially dilutive takeover by Bowater could be the only way out, but until then, the shares look cheap.

# Bernard Matthews falls 27% to £10.24m

By John Thornhill

BERNARD MATTHEWS, the turkey and meat products group, yesterday announced a 27 per cent fall in pre-tax profits from £14.07m to £10.24m in the year to January 1 1989.

Turnover declined marginally to £135.22m (£136.03m) and earnings per share fell to 5.33p (7.1p). The company proposed an increase in the final dividend to 1.5p (1.125p), making 2.5p (1.75p) for the year, to bring it more in line with the food manufacturing sector.

Mr Bernard Matthews, chairman, said the year had been one of consolidation. The company had now withdrawn from the chicken, petfood, lamb cutting and grain trading activities, reflected by a £10m reduction in turnover, and was concentrating on its core businesses.

Sales of turkey meat products grew during the year but the red meat sector was depressed and sales had fallen. The whole turkey division returned to profitability in the second half but still operated at a loss for the whole year.

Following "recent scaremongering publicity on food quality", Mr Matthews said, sales of turkey and red meat products had experienced a significant fall in the current year.

"Although our profits are down, I think it is fair to say that we are one of the few poultry companies making profits this year," he said.

New products, backed by heavy marketing, had already been launched this year, and more would be introduced soon. Some of its products were also being tested in the US by Sara Lee, but this would not contribute to profits this year, he said.

● COMMENT

Matthews results are none too beautiful but given the paltry poultry market its results do not look that dreadful. If any producer is to pull through the hard times affecting the industry it is likely to be Matthews. With strong brand identification and a range of new products, which have so far met a favourable response in the market, the company looks like making a fight of it. The start to this year has been extremely confusing and it is not clear how far turkey sales have been affected by the listeria hysteria. Nevertheless, it will be difficult to defy the general market trend and Mr Matthews has said that it would not be prudent to give an indication of profits considering the continuing depression of the sector. Analysts are equally reluctant to make a forecast, but most expect something fairly nasty. Estimates are likely to swing about during the year, but assuming profits stay about the same at £10m the prospective p/e ratio would be about 14.

# Emess sparks with 96% advance to £15m

By Clay Harris

EMESS, the lighting and electrical accessories group, increased pre-tax profits by 96 per cent to £15.1m in 1988 on turnover ahead 58 per cent to £103m. The comparable figures in 1987 were £7.7m and £65.2m.

Fully diluted earnings per share advanced by a more modest 22 per cent to 30.2p (24.7p), while a final dividend of 6.6p will raise the total payout by 25 per cent to 10p (8p).

A five-for-two scrip issue is also planned.

The UK accounted for 51 per cent of sales, with 20 per cent each from the US and continental Europe and 9 per cent from the Pacific. Lighting accounted for 75 per cent, down from the1987 figure of 80 per cent. The proportion should rise again in 1989 because of the £25.2m takeover of JSB Electrical.

Emess received a 10-month contribution from Alsy, the US maker of table and standing lamps. Its stake in Brillantleuchten, the West German fittings manufacturer, rose from 26 per cent to 54 per cent in September.

Paying £4m (£1.4m) in tax, Emess saw its effective rate rise from 18.2 per cent to 26.5 per cent. Mr Michael Meyer, chairman, said there were sufficient carried-forward tax losses to shelter the UK profits of Tenby, the electrical accessories subsidiary, to the end of 1990.

Profit attributable to ordinary shareholders fell to £8.4m (£11.9m). This reflected a fall in extraordinary profits to £100,000 (£5.6m), but there was also an initial payment of £2.6m in preference dividends on last summer's £40.2m convertible issue to finance a takeover offer for Holophane, the French lighting and glass group.

Thorn EMI eventually won Holophane with a higher bid, but Emess proceeded with the issue anyway. In a full year, preference dividends will take £4.1m.

● COMMENT

The 1988 profits were slightly below the highest forecasts, in part because it is taking time to achieve the necessary margin improvements in West Germany. Sterling's strength against the D-Mark doesn't help either. Nevertheless, there is no reason to believe that the Emess story of out-performance is over, although the record may be less dramatic from now on. Assuming pre-tax profits of £21.5m, and that the tax charge still stays well shy of 30 per cent, the fully diluted prospective p/e of 13 does not overvalue the shares.



## News Digest

### STAG FURNITURE

# Buoyant order book

STAG Furniture Holdings, the Nottingham-based cabinet furniture manufacturer, lifted pre-tax profits from £1.55m to £2.12m in 1988. Turnover expanded 16 per cent to £39.32m.

Earnings per share rose to 15.3p (11.1p), and the recommended final dividend is held at 4.25p for a total of 6.75p (6p).

### RELYON GROUP

Relyon Group, which makes bedding and other furniture and supplies surveillance equipment, raised pre-tax profits from £3.93m to £4.42m in 1988. Turnover climbed from £31.25m to £38.49m.

Operating profits were £4.29m (£3.45m) and there was a debit of £135,000 from the associated company. Interest receivable fell to £177,000 (£541,000). Other income, however, amounted to £151,000 (nil).

Tax took less at £1.13m (£1.35m) and earnings came out ahead at 20.88p (16.14p). The directors have recommended raising the final dividend to 4.15p (3.25p), to make a total of 6.25p (4.9p) for the year.

### BOSTROM

Exceeding the forecast of £2.05m made at its November flotation, Bostrom, the vehicle seating manufacturer and specialist engineering company, reported pre-tax profits of £2.12m in 1988.

Turnover was up at £32.26m (£16.72m) and earnings leapt to 19.2p (8p) per share. The directors have proposed a final dividend of 1.5p.

### BRITISH MOHAIR

British Mohair Holdings, a manufacturer of yarns, reported pre-tax profits up from £4.83m to £5.29m in 1988.

Tax took £1.81m (£1.68m), leaving earnings of 26.1p (23.64p) per share. The proposed final dividend is 6.6p making 8p (7.5p) for the year.

### SEKERS SILKS

Sekers Silks, which has been acquired by the management from Stoddard Sekers for £8m, is considering a flotation within three to four years.

Among the prerequisites for a flotation would be for China's share of the European silk import market to fall from 85-90 per cent to about 60 per cent and for Sekers equity to increase from £2.8m to £10m.

### DAVIES & METCALFE

Doubled pre-tax profits of £1.7m, against £819,094, were announced by Davies & Metcalfe, mechanical and electrical engineer, for 1988. Turnover rose from £13.61m to £18.96m.

Earnings per 10p share jumped to 19.3p (9.5p) and a final dividend of 2.7466p (1.75p) is proposed for a 3.4239p (2.38p) total.

### GASKELL B'LOOM

A 53 per cent increase in taxable profits was reported by Gaskell Broadloom, the Lancashire-based carpet group. On turnover of £30.55m (£19.44m), the pre-tax balance climbed from £1.51m to £2.31m. Earnings per 20p share were 30p (20.3p). The final dividend is 5p for a 7.5p (6.6p) total.

### P-E INTNL

Pre-tax profits of P-E International were £4.51m for 1988 against £3.34m on turnover up from £35.73m to £48.23m. A final dividend of 3.1p (2.4p) makes a total of 4.5p (3.6p).

## UK COMPANY NEWS

# Strong sales in the North boost Barratt to £32.5m

By Andrew Taylor, Construction Correspondent

BARRATT DEVELOPMENTS, the housebuilder, increased pre-tax profits by 89 per cent to £32.5m during the six months to end-December.

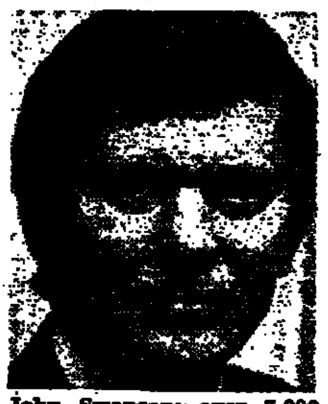
*Mr John Swanson, who took* over from Sir Lawrie Barratt as chairman and chief executive at the beginning of this year, said increased house sales in Scotland and northern England had more than offset *sharp falls* in *southern* England.

Sales in southern England were down by about a quarter and could fall by as much as 30 per cent this year, said Mr Swanson.

Despite this Barratt completed 3,200 homes during the six months compared with 3,000 during the same period last time. Higher prices in the north of England and Scotland had helped to boost margins.

*Barratt, like Wimpey which* reported on Tuesday, saw big gains in California where profits from its housebuilding operations rose from £2.5m to £7.8m.

Mr Swanson expected the market to remain strong in Scotland and northern England. Average house prices



John Swanson: over 7,000 *homes to be completed*

in these regions were less than 4 times average earnings. This compared with parts of the south where average house prices were almost 6 times average earnings.

*"There is a lot of catching up* to be done before prices catch up with increases in earnings in Scotland and the north," said Mr Swanson. He expected Barratt would have completed just over 7,000 homes by the end of the year, slightly more than in 1987-88. This would be achieved despite falling sales in the south.

Earnings per share rose from 6.3p to 12.4p. The interim dividend is raised to 3.21p against 2.79p last time.

● **COMMENT**

Barratt's results were way ahead of market expectations, even after stripping out the £4m profit from sales of investment properties. It was the very *large increase in US* profits which caught analysts by surprise. The Californian market is really humming at the moment judging by the experiences of Barratt and Wimpey and Barratt could approach £20m for the year from US housebuilding. The UK performance is clearly more mixed but the company remains very confident about prospects for markets north of the River Trent. The leisure division, where timeshare has been a problem, *made a small loss* at the half year but could be breaking even by the year end. This bodes well for the full year when Barratt could produce profits of £80m. Growth next year may be slower. Earnings of 30p would *put Barratt* on a p/e of 6.7 which looks a little light given prospects in California but takes into account fears about rising US interest rates.

# Turriff up 83% with strong hire contribution

A STRONG performance from the plant and equipment hire division helped Turriff Corporation lift pre-tax profits 83 per cent to £4.41m in the year to December 31

The company, which also has interests in construction, maintenance and information services, saw turnover rise 54 per cent from £70.82m to £108.04m.

All divisions achieved increases in profits. Plant and equipment hire was up at £2.67m (£1.51m); construction and property development £1.09m (£518,000); maintenance £333,000 (£122,000); and information and marketing services £312,000 (£261,000).

Tax took £1.48m (£806,000), leaving earnings up 42 per cent at 36.5p (25.7p). The directors have recommended a final dividend of 8p (5.58p adjusted for May's one-for-five scrip issue), to make a total of 11.5p (8.3p).

Mr Astley Whittall, chairman, said he was concerned that so much of the profit improvement flowed from one division.

The group was striving for a better balance across all four in future, he said, adding that the current year had started well.

# Brake Brothers rises 26% to nearly £10m

By Philip Coggan

BRAKE Brothers, the largest supplier of frozen foods to the British catering industry, yesterday reported a 26 per cent jump in pre-tax profits to £9.61m (£7.61m) in calendar 1988.

Margins fell slightly because of the acquisition of Scotia Frozen foods, which did not make a profit in 1988 but should start contributing this year.

The company incurred capital expenditure of £7.1m last year, including £2.1m spent on a new food factory in Flint, North Wales. This year, capital expenditure is expected to be around £8m, including £3m spent on a central store in Motherwell, Scotland.

Brake Brothers joined the main market in 1986 and the *three eponymous founders* retain a stake of just under 75 per cent of the company.

Turnover was £124.8m (£91.9m). After tax of £3.35m (£2.72m), earnings per share were 14p (11.1p). The final dividend is being increased to 2.4p (1.8p), making a total of 3.4p (2.7p).

The board is confident of further growth in the current year.

comment

These figures were pretty much in line with expectations and the shares closed unchanged at 253p. Brake Brothers has a solid growth record in an expanding market and it is hard to see that market shrinking unless people stop eating out. Social trends suggest the reverse. *Frozen* food has so far avoided the health scares that have affected the chilled food sector. However, the shares are tightly held and the company's growth record is reflected in its rating *- assuming* pre-tax profits of between £11.5m-£12m this year, the prospective p/e is around 14.5 to 15. One for longer term investors, rather than those seeking a quick profit.

# Guidehouse rises 45% and calls for £2.5m

GUIDEHOUSE GROUP, the financial, consultancy and recruitment services company, is to raise £2.5m through a one-for-nine rights issue in convertible preference shares.

The announcement came as the USM-quoted group reported a 45 per cent increase in pre-tax profits from £1.1m to £1.6m for the year to end-December.

The result was struck from turnover up 60 per cent to £10.6m (£6.6m). After a tax charge of £617,000 (£386,000) and a £4,000 (nil) minority interest, earnings per 1p share were left at 4.2p (3.5p) fully diluted.

The directors are recommending a final dividend per share of 1p making an improved total for the year of 1.4p against 1p.

Mr David Michaels, chairman, said 1988 had been a successful year in the achievement of the group's goals. The quality of its business base had been improved in its three main divisions: finance and capital markets; insurance, marketing and creative services; and management services. He added that the current year had started satisfactorily.

Guidehouse plans to raise a net £2.5m through the issue of 2.69m new 8.5p (net) convertible cumulative redeemable preference shares of 50p each, at an issue price of £1.

The rights are on the basis of one for every nine ordinary shares held, or one for every nine warrants registered, payable on acceptance.

The proceeds of the rights issue will be used principally to finance the expansion of the group's asset finance operations, provide funds for further participation in development capital financings and to expand Guidehouse Securities.



# Tilbury Group surges 56% to £14.66m

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS of Tilbury Group, the specialist contractors, housebuilders and property group, rose by *56 per cent* to £14.66m in the year to the end of December.

The figures included an exceptional profit of £1.48m (£527,000) mostly from the sale and leaseback of the group's headquarters in Twyford.

Turnover rose from £140.18m to £184.54m. Earnings per share, restated, rose from 32.9p to 48.9p.

Mr Michael Bottjer, Tilbury's chairman, said the large rise in earnings had allowed the group to increase the final dividend to 13.9p (7p) making a total dividend of 16.5p (9.2p) a rise of almost 80 per cent.

Property profits, mostly from *housebuilding with only* a small contribution from commercial development, last year contributed profits of £7.77m (£5.42m) a rise of 43 per cent. Contracting profits rose by a third from £4.24m to £5.66m.

*The company sold* 782 houses last year of which 520 were in Scotland. The average price was just under £40,000 in Scotland and £70,000 in England, said Mr Bottjer.

Construction profits were boosted by a strong *performance* by its piling contractor. The group's process plant subsidiary also had a good year.

Construction order books overall were about 35 per cent *higher at the* beginning of this year than at the start of 1987.

● **COMMENT**

This year should see Tilbury firing on almost every cylinder. Its concentration on *housebuilding in Scotland,* where sales and prices according to Barratt yesterday, are continuing to race ahead, should more than offset any downturn in southern England. Property development profits should also start flowing through in earnest this year with more to come from the group's Aintree development and first profits due to be taken the large Linwood development. *Tilbury's* concentration on specialist contracting means that its margins are generally better than for general building and civil engineering and rose from 4 per cent to 4.2 per cent last year. *Order books are already* three-quarters full for this year and contracting profits are expected to enjoy another good rise. Pre-tax profits of £18m would put Tilbury on a p/e of 7½ which looks a little undemanding given the possibilities for a bid, earnings potential and dividend yield.

# Spring Ram pleases City with £16.56m

By John Ridding

SPRING RAM Corporation, the kitchen and bathroom group, yesterday announced profits for 1988 of £16.56m, up 55 per cent on 1987 and at the very top of City forecasts. The share price rose 10p to 225p.

Turnover increased by 40 per cent to £85.17m and earnings, benefiting from the favourable tax allowance resulting from the company's capital expansion programme, rose 19 per cent to 13.9p. A proposed final dividend of 0.46p (0.37p) gives a total of 0.66p (0.55p).

During 1988 the group revalued its freehold property and plant machinery, providing a surplus of £12.6m.

● **COMMENT**

Spring Ram is bullish – and with good cause. Since flotation, the group's pre-tax profits have grown at a compound rate of 59 per cent and turnover at a rate of 49 per cent. Furthermore, this growth has been achieved almost exclusively through internal cash generation and investment. Last year's results were the latest manifestation of this trend and 1989 can be expected to see similar progress. The group's new products and companies have enjoyed a strong introduction and the kitchens business will increasingly benefit from the efficient new plant at Scunthorpe. This allows a guaranteed delivery time far quicker than its rivals and should lead to a rapid growth in sales and market share. Analysts predict similarly strong performances in the bathrooms businesses and argue that further advantage can be gained from the Thomas Chippendale brand name. Arguably the only potential problem facing the group is the impact of higher interest rates. However, to the extent that house purchases decline, the group may well benefit from increased refurbishment of existing property. Certainly, there has been no indication yet of a slackening of demand for Spring Ram's products with the first 12 weeks witnessing strong turnover. As a result, analysts have raised their forecasts for the year from about £23m to £25m. This puts the shares on a prospective multiple of 12 and represents good value given the group's prospects.

## UK COMPANY NEWS

# Cookson moves up 24% to £178m

**By Clay Harris**

COOKSON GROUP, the specialist metals and chemicals company, increased pre-tax profits by 24 per cent to £178m in 1988. For the first time since 1984, Cookson's fully-owned operations contributed more profit than its 50 per cent stake in Tioxide Group, the titanium dioxide joint venture with Imperial Chemical Industries.

The profits increase from £143.8m came on turnover ahead by 31 per cent to £1.56bn (£1.19bn). The fall in margins at the pre-tax level reflected a nearly doubled interest charge of £21.5m (£10.5m); operating margins were stable at 13 per cent.

Earnings per share rose by 17 per cent to 31.7p (27.1p), and a proposed final dividend of 5.25p will raise the total to 7.75p, against 6p adjusted for last year's scrip issue.

Cookson, which relied on continental Europe for 39 per cent of trading profits in 1988, yesterday announced two additional acquisitions in the region: Freundorfer, a West German supplier of aluminium offset and letterpress plates and related chemicals, and an 85 per cent stake in Fanciullaci, an Italian manufacturer of ceramics supplies.

Mr Michael Henderson, chief executive, said the latter deal would make Cookson the joint leader for ceramics supplies in Italy and number two in Spain. Cookson paid a total of £36m for the two private companies, although the individual prices were not disclosed.

On Cookson's 8 per cent stake in Johnson Matthey, the precious metals group, Mr Henderson said: "We are keeping all our options open." Further comment would be "difficult and inappropriate".

Tioxide yesterday separately reported pre-tax profits of £173m (£155.6m) on turnover of £598.3m (£558m). It contributed the bulk of Cookson's £97.3m (£86.8m) profits from related companies.

In directly-owned businesses, metals and chemicals accounted for operating profits of £37m (£28m), ceramics and plastics for £40.6m (£24.2m) and the American division for £37.7m (£26.6m).

Mr Henderson said organic growth had accounted for £17m of the rise in operating profits, acquisitions for £12m and Tioxide's higher contribution for £13m.

If exchange rates had been stable, profits would have been £8m higher.

The tax charge of £62m (£50.2m) reflected a stable rate of 35 per cent. There was an extraordinary charge of £11.6m (credit £2m) in respect of closure costs and divestments of subsidiary and related companies.

**● COMMENT**

Cookson's dramatic renaissance since it shed the distinctly un-green name Lead Industries has yet to be tested in a real downturn, but it appears to have positioned itself well – industrially and geographically – to weather any storms. With capacity better matched to demand this year, Tioxide should do even better. Assuming pre-tax profits of £205m, Cookson's prospective multiple of 8½ is in line with medium-term prospects. Meanwhile, what it wants from Johnson Matthey is pretty clear: the materials technology and colours and printing businesses. A head-on hostile bid can be all but excluded, however, in part because JM shares trade at roughly double Cookson's rating. What is more likely is a carve-up, involving either JM's 38 per cent shareholder Charter Consolidated or Charter's 36 per cent shareholder Minorco. None of this will happen until the latter's Consolidated Gold Fields bid is resolved.

# Laporte advances to £95m

**By Peter Marsh**

LAPORTE INDUSTRIES, the speciality chemicals company, yesterday unveiled a pre-tax profit of £95.3m for the year to January 1 1989, compared with £75.2m for the previous 12 months.

Leaving aside an exceptional item of £9.7m arising mainly from sale of surplus land, the figure correlated to a profits rise of 14 per cent.

The profit figure, which was roughly in line with expectations, was made on sales up 12 per cent to £516m against £462.6m.

Earnings increased from 35.8p to 43.4p, a 21 per cent jump, while a final dividend of 8.7p is proposed for a total of 13.7p, a 14 per cent increase.

Mr Ken Minton, chief executive, singled out Interox, Laporte's joint venture with Solvay – the Belgian chemicals group which has a 25 per cent stake in the UK company. Laporte's share of the taxable profit in Interox fell to £31.6m (£33.4m).

Mr Minton, said the downturn was due partly to reduced demand for sodium perborate, a material made by Interox and used in detergents. Prospects for Interox looked reasonably bright, however, due to good growth potential for hydrogen peroxide.

**● COMMENT**

Laporte has what to many analysts appears a rather nice spread of interests, balanced across a range of consumer and heavy-chemicals industries. Thus its products are widely used in such basic areas of manufacturing as paper and textiles processing while Laporte goods also enter the home in the form of absorbent cat litter (a growing area for the company) and additives for washing powders. It is in this last field that some analysts see problems ahead. The perborate chemicals which are among the leading products of Laporte's important Interox subsidiary are seeing slackening demand due to competition from other materials used in the fast-growing sector of liquid detergents for washing machines. Some wish there was a way for Laporte and Solvay, the other owner of Interox, to divest themselves of the subsidiary. Do any of the Interox staff fancy a management buy-out? Others believe, however, that despite Interox looking dangerously like a commodity-chemicals company, a term guaranteed to give the shivers to most City onlookers, the subsidiary has plenty of growth potential. That is not least because its peroxide products could take over many of the applications in bleaching now the preserve of more environmentally hazardous chlorine-based materials. The City is talking about profits for 1989 of about £110m, giving a p/e of about 10, which looks a trifle cheap given what many believe is Laporte's potential over the next decade.

# Rentokil beats expectations with 33% expansion to £50m

**By Andrew Hill**

RENTOKIL Group, best known for its pest control business, yesterday announced a 33 per cent rise in pre-tax profits to £50.1m in the year to December 31, compared with £37.6m in the equivalent period.

The figures beat most analysts' expectations and Rentokil shares rose 13p to 281p.

Rentokil has moved into office machine maintenance in the UK during the last year and doubled its US operations in October with the £23.1m acquisition of a tropical plant supply and maintenance company.

Mr Clive Thompson, chief executive, said the group was taking advantage of increased public awareness of environmental problems. He said Rentokil was growing new services in the UK, such as specialist waste disposal, and treatment of office water and ventilation systems, which could then be added to overseas operations.

Capital expenditure of £21.1m and acquisitions of £35.7m still left the group with £17.7m at the end of the year. Acquisitions contributed pre-tax profits of about £700,000 after interest.

Sales during 1988 rose 23 per cent to £213m (£174m) and earnings per share were up 38 per cent from 11.86p to 16.39p. The company is recommending a final dividend 2.835p, making 4.275p (3.275p) for the year.

Environmental services, which includes pest control and tropical plant servicing, increased profits from £32.7m to £43.4m on sales of £166m (£132m), 80 per cent of which come from contract work.

Property care – such as the treatment of woodworm and dry rot – improved from £4.86m before tax to £6.77m on turnover of £47.1m (£41.8m). Mr Thompson said margins there rose partly because the group had started to charge for property surveys.

**● COMMENT**

Irritated as some analysts were by the proliferation of results in the chemicals sector yesterday, Rentokil's figures came as a pleasant surprise, outstripping best forecasts by at least £2m. Forecasts for 1989 have been marked up to about £63m before tax. Environment is the buzz-word. Rentokil now has about 60 per cent of the third-party pest control business in the UK, so future growth is likely to come from overseas or from newer "green" interests, ranging from servicing tropical plants to disposing of waste medical equipment. Office machine maintenance may look incongruous, but it does fit into a wider strategy of operating service contracts and is a fragmented market which other aggressive players – such as Erskine House, managed by a number of ex-Rentokil executives – are already skinning in the UK and abroad. With the group promising 20 per cent annual earnings growth "for ever", the shares look pretty attractive on a prospective multiple of about 13.

# Wolstenholme Rink on forecast at £4.2m

**By Clay Harris**

WOLSTENHOLME RINK, the lithographic materials company, achieved pre-tax profits of £4.22m in 1988, in line with the profit forecast it made last September during its successful defence against a hostile takeover bid from Cookson Group.

On earnings per share of 44.7p (33.7p), Wolstenholme has proposed a final dividend of 9.5p (6.25p) to raise the total to 15.5p (10.25p). The bid defence left Wolstenholme with a £494,000 bill in extraordinary costs, more than the bid costs of just over £300,000 reported yesterday by Cookson.

Mr Tony Rink, Wolstenholme's joint managing director, once again complained about the inequity of a small company having to bear such costs, which amounted to more than 10 per cent of pre-tax profits or half of total dividend payments.

Mr Rink also warned that Wolstenholme would be unlikely this year to match the 40 per cent pre-tax growth from £3.01m in 1987. This was because of the steep rise in UK interest rates and the appreciation of sterling against the D-Mark, which severely hurt Wolstenholme's competitive position against its West German rivals.

In the last four months of 1988, the offset metallic ink and aluminium paste businesses of Johnson & Bloy, for which Wolstenholme paid £1.7m, made an initial contribution of £300,000 to operating profits.

Group turnover rose by 20 per cent to £38.56m (£32.02m). A net extraordinary charge of £403,000 reflected not only the bid defence costs but also the expenses of litigation, re-organisation and closures, partially offset by profits from disposals of property and the Fryco foil business and the write-back of tax provided for in previous years.

# VG falls 14% after tough year

**By John Thornhill**

AFTER A "tough but challenging" year, VG Instruments, the scientific instrument maker, reported a 14 per cent fall in pre-tax profits from £22.3m to £19.97m in 1988.

Turnover rose by 30 per cent from £102.75m to £133.64m, but this included about £19m contributed by a US acquisition.

A shortfall in orders leaving exposed overhead costs, the strength of sterling and high interests rates were the cause of the fall, Mr Barry Mulady, managing director, said.

Almost four-fifths of VG's sales were overseas and these were affected by high exchange rates. In contrast, US companies prospered because of the relative weakness of the dollar, he said.

The full benefits from the March acquisition of Kevex, the US manufacturer of analytical spectrometry systems, would take two to three years to work through, he said.

Earnings per share, based on a weighted average, dropped to 22.81p (28.78p). Yet, the recommended final dividend was increased to 3.8p, making 5.7p (4.5p) for the year. The board said this reflected its confidence in the future.

Overhead costs had been cut during the year, Mr Mulady said, management changes had been made and the workforce had been reduced from 2,124 at the beginning of the year to 1,926 at the end, excluding 446 at Kevex. He emphasised, however, that VG had not cut back on its sales and servicing staff levels.

An encouraging pick-up of business was reported in the first two months of 1989, and Mr Mulady was quietly confident of the prospects for the year.

**● COMMENT**

"We have shaken ourselves pretty thoroughly," Mr Mulady said yesterday. It has certainly been a rough year for VG after its strong run of success, and the shell-shocked management has had to take fairly severe action to shape the company up for the current year. This could result, as VG's management suggests, in a leaner more flexible and more aggressive company which will recover on the back of new products. Recovery will almost certainly begin this year, most noticeably perhaps in the second half, but it seems unlikely in the forseeable future that it will regain the meteoric rate of earnings growth that made it such a favourite in the mid-1980's. High interest rates, a continuing tax rate of about 39 per cent and the relative underperformance of Kevex will probably mask an underlying resurgence of earnings in the current year. Pre-tax profits of around £22.5m look in sight, putting the company on a prospective multiple of just over 10. This seems fair given that its share price has probably hit its floor and can now only climb. The good recovery potential is also enlivened by BAT Industries' 69 per cent holding which, it is often rumoured, may come up for sale.

# Miss World has over 50% acceptances of Piccadilly

**By Philip Coggan**

Miss World, the beauty contest and radio group, has received acceptances in respect of more than 50 per cent of the voting shares of Piccadilly Radio, the Manchester-based radio station for which it is making a £39m bid.

On Monday, shareholders in Piccadilly narrowly defeated a proposal for the company to merge with Midlands Radio.

A vote on an amendment to Piccadilly's articles – to allow one shareholder to own more than 15 per cent of the voting shares – was postponed till March 30. That vote will require a 75 per cent majority.

All the Piccadilly directors bar one are now recommending the Miss World bid and yesterday, Miss World called on the dissenter, Mr Sidney Friedland, to change his mind now that the Midlands merger has been defeated.

## GR Holdings

GR (Holdings) pre-tax profits were £6.49m (£1.03m) and turnover £4.57m (£10.19m) for six months to December 31 1988.

# Shandwick expands in the US

**By Ray Bashford**

SHANDWICK, the international public relations company, will pay up to $31.1m (£18.2m) for Golin/Harris Communications, the Chicago-based public relations subsidiary of Foote Cone and Belding Communications.

The purchase is being made on an earn-out basis and is aimed at strengthening Shandwick's presence in the midwest of the US as part of a plan for North American expansion.

Golin/Harris is the tenth largest PR agency in the US with a net fee income last year of $17.7m and a pre-tax profit of $1.7m.

As an initial consideration, there will be cash payments totalling $575,000 and an issue of preferred stock to FCB and Golin Harris.

After a one-for-one share split and a one-for-one capitalisation issue the preferred stock will be exchangeable into ordinary Shandwick shares, representing between 6 per cent and 8.3 per cent of the capital depending on Golin/Harris's profit results for the 16 months to July 31 next year.

These shares would be worth between £5.9m and £8.3m based on Shandwick's closing price on Tuesday of 543p.

The additional payments of up to $14.55m will be made, tied to the achievement of profit targets up to July 1994. Further payments to employees of the company, pegged to results for the current year, lifts the total payment to a possible $31.1m.

Shandwick yesterday also announced the purchase of Hanan Associates, a Zurich-based PR company specialising in investor relations and financial PR. The purchase is also being made on an earn-out basis with a maximum possible consideration of SFr 3m (£1.08m).

# Debut for Davenport Vernon

**By Vanessa Houlder**

DAVENPORT VERNON, a motor dealer based in High Wycombe, Buckinghamshire, is coming to the main market via a placing which values it at £17.86m.

The company, which operates from 14 sites within 35 miles ofHigh Wycombe, sells new, used and commercial vehicles to individuals and local businesses. It also arranges finance for customers and provides after-sales service including repairs, parts, petrol and forecourt services.

County NatWest Wood Mackenzie is placing 5.25m shares at 135p per share, representing 40 per cent of the enlarged share capital. Shares sold by the vendors account for 38 per cent of the shares being placed. Dealings are expected to start on March 30.

In the year to September 1988, the company made pre-tax profits of £2.44m on turnover of £75.77m. Profits were equally split between the vehicle sales and finance business and the service, forecourt services, contract hire and light engineering activities. On a 32.3 per cent tax charge, the p/e multiple is 8.1.

The company said it was too early to make a profit forecast, although profits in the first four months were satisfactorily higher than in the corresponding period last year.

# Fitch-RS profits jump by 49%

**By Alice Rawsthorn**

FITCH-RS, the design company which recently expanded into the US by buying Richardson-Smith, saw its share price rise by 10p to 355p yesterday when it unveiled a 49 per cent increase in pre-tax profits from £2.43m to £3.62m last year.

Mr Rodney Fitch, chairman, said the increase was fuelled by expansion into new areas and a "strong performance" from the original Fitch business, which sported organic growth of about 20 per cent.

The group's turnover rose to £19.16m (£12.69m) and operating profits to £3.56m (£2.38m) in the year to December 31. Earnings per share (undiluted) increased to 39.8p (27.7p). The board proposes a final dividend of 6.5p (5.5p) making a total of 9.5p (8.0p).

The group is now tackling the integration of Richardson-Smith. It intends to strengthen management and financial controls at the US company and to revise its marketing system.

A member of Fitch's retail design team in the UK has been sent to the US to head a retail division at Richardson-Smith. The group plans to bring people from the US to strengthen its product design business in the UK.

Mr Fitch said the present year had "started well for all disciplines". So far Fitch has not been affected by the problems of the retail sector in the UK. It expects to counter any future downturn in demand with new business from Europe.

# Pittard bid costs prompt fall at Strong & Fisher

**By Vanessa Houlder**

STRONG & FISHER, the fashion leather group which is awaiting the outcome of a Monopolies and Mergers Commission probe into its bid for Pittard Garnar, yesterday announced a 3 per cent fall in pre-tax profits.

The decline, from £3.22m to £3.11m in the six months to December 23, came on turnover 16 per cent lower at £45.12m (£53.98m).

The results were hit by a £1.02m extraordinary item relating to the cost of its £41m bid for Pittard Garnar. The bulk of the costs stemmed from work resulting from the MMC investigation, which is expected to report next week.

The downturn in sales was partially due to the inflation of the 1987 turnover figure by the clearance of Gomshall's stock following its acquisition in September 1987. It was also blamed on the disruption caused by a 25 per cent fall in raw material prices last summer. This shook the confidence of customers, according to Mr Richard Strong, managing director.

He said that the reduction in raw material costs would now benefit the company, which has reduced its selling prices by just 15 per cent. Demand for clothing leather was buoyant, he added.

Interest in its stain-resistant Hi-Tech leather was overwhelming and was now feeding back into volume business, he said. However, development and launch costs depressed the results, by an extraordinary item of £420,000.

Exceptional costs of £110,000 stemmed from the transfer to its tanneries of products from the Gomshall Group.

There has been agreement in principle to sell the Hastings Tannery in New Zealand for NZ$1.2m (£430,000) to Weddel Crown, a subsidiary of Union International. This marks the end of the rationalisation of the Gomshall Group.

Earnings per share fell from 13.8p to 12.3p. An interim dividend of 4p (3.7p) was declared.

# Willaire profits up 50% to over £3m

WILLAIRE Group, the industrial services, environmental and electronics company which moved up to the main market last May, has continued its progress with a 50 per cent increase in pre-tax profits in 1988.

The taxable figure of £3.06m (£2.04m) was achieved through strong growth in all group activities, along with 1988's acquisitions, the company said.

In the environmental division operating profits rose to £1.19m (£990,000) on sales of £9.96m (£8.55m), in electronics to £1.56m (£890,000) on sales of £12.45m (£8m), and in industrial services to £870,000 (£450,000) on sales of £2.75m (£2.2m).

Group turnover was up at £25.16m (£18.09m restated) and earnings worked through at 1.9p (1.2p).

The directors have recommended a final dividend of 0.5p, making a total for the year of 0.75p (0.25p).

The company expected that 1989 would be a year of further growth and development. All operating companies had started the current period well and had record order books.

## UK COMPANY NEWS

# Wolseley surges to £54m but warns of slowdown

By Philip Coggan

WOLSELEY, the world's largest plumbing and heating merchant, yesterday reported a 31 per cent jump in interim pre-tax profits to £53.6m but warned that it had noticed a slowdown in the rate of growth.

The company, chaired by Mr Jeremy Lancaster, said it had reduced the rate of new branch openings in the UK whilst the building sector suffered the effects of high interest rates. However, Mr Lancaster said he thought the current slowdown in the sector was likely to be less severe than previous recessions. The interim dividend is being increased to 2.8p (2.3p).

The UK building distribution division recorded a 20 per cent jump in trading profits to £22.89m (£19.06m) on turnover 7 per cent higher at £249.9m (£233.8m). Plumb Center increased margins because of a growth in sales of bathroom products; Harris & Ray, the "heavy" builders merchant, marked time compared with last year. Both businesses benefited from another mild winter.

The US building distribution division reported an 84 per cent increase in operating profits, thanks partly to a first time contribution from Familian Northwest and a six months (instead of three months last time) contribution from Familian.

Carolina Builders reported a 20 per cent rise in trading profits. Mr Lancaster said that the group's US managers were generally more cautious than a year ago, although growth was still going "gangbusters" in the North-West. Twenty-six new branches were opened in the US, making 272 in all, and the group plans another 20 openings in the second half.

The UK manufacturing division, which consists of a wide range of businesses many of which were bought from BAT Industries in 1986, increased profits to £13.2m (£12.4m) on turnover of £133.2m (£119.3m). There was a strong performance from the agricultural parts and machinery companies as they recovered some export business.

The company is asking for powers to buy back up to 10 per cent of the equity, if such purchases benefit the group's earnings per share.

Overall turnover was £776.8m (£577.6m). Profits of £53.6m (£41.0m) were recorded after interest payable of £2.16m (£1.08m). After tax of £19.31m (£15.39m) and minority interests of £160,000 (£184,000), earnings per share were 16.17p (12.64p).

**● COMMENT**

Yet another excellent set of results from Wolseley, which surely must have one of the best long-term growth records of any UK company - earnings per share have grown by 15 per cent per annum since 1959 and by 20 per cent since 1977. However, the stock market has stubbornly refused to give the shares a premium rating and given the short-term outlook for interest rates and the building sector, it is unlikely to change its mind soon. For the full year, the company is probably on target to meet analysts' forecasts of £110m, but it might not be so easy to carry on improving margins and it would be unwise to bank on yet another mild English winter. That said, a slowdown in growth at Wolseley represents a good year for many other companies, and on a prospective p/e of 9, the shares should still appeal to long-term investors.

# Hunting Petroleum surfaces with 16% rise to near £9m

By Vanessa Houlder

A LESS traumatic business environment in 1988 allowed Hunting Petroleum Services to emerge from a three year profits plateau with a near-16 per cent rise in pre-tax profits to £8.75m. Turnover fell marginally from £235.89m to £235.39m.

The group yesterday also announced a £3.3m rights issue to finance the $5.3m (£3.1m) acquisition of the Ohio-based premises and products of the Swiss range of fibreglass body-filler products for automotive repairs.

The acquisition is a step towards Hunting's goal of introducing its Hammerite specialist surface coating into the US market. Hammerite will be progressively introduced into the automotive and DIY outlets which sell Swiss products.

The Swiss products, which had sales of $5.3m in the year to October 1988, are also considered by Hunting to have considerable potential in the professional market for auto-body repair shops.

In 1988 Hunting experienced a sharp fall in profits from the specialised products and lubricants division, which made £1.41m (£4.23m).

A profits reduction was also registered by the oil process equipment, recycled oil and storage division which made £1.29m (£1.48m).

These profits setbacks were, however, offset by an improvement in Gibson Petroleum, its Canadian crude oil, transportation and terminalling business, which made profits of £6.36m (£4.72m). Hunting said it did not forecast a further significant move ahead in 1989.

The oilfield services business also posted an improved performance with losses reduced from £2.87m to £304,000, following the rationalisation measures taken over the past two years. The division is expected to return to profit this year.

An extraordinary item of £3.17m (£27,000) comprised a £2.83m profit on the sale of its lubricants business, a £1.11m provision for depletion of US oil and gas interests and a £1.45m credit for other disposals and releases of prior year provisions.

Fully diluted earnings per share rose from 16.18p to 17.67p. The final dividend of 6p (5.5p) makes a total of 9.5p (9p).

The placing and open offer involves the issue of 1.84m new shares at 180p apiece. Shareholders can apply for shares on a 1-for-12.29 basis.

# Croda Intl disappoints with 12% expansion to £35.6m

By Peter Marsh

CRODA INTERNATIONAL, chemicals, cosmetics and food company, yesterday announced a pre-tax profit of £35.6m for 1988, a 12 per cent rise compared with £31.8m in 1987.

Analysts described the profit figure, which included an exceptional item of £1.9m arising from a property sale, as slightly disappointing.

The profit increase was made on sales for the year of £348.8m, a 3 per cent rise on the £339.5m turnover for 1987.

Earnings per 10p ordinary share showed a 13 per cent rise to 19.46p while the the directors proposed a final dividend of 6.2p. With an interim dividend of 3.8p already paid, that would make a total dividend for 1988 of 10p, compared with 9p last time.

Mr Mike Cannon, chairman, said the results illustrated a "solid advance" on 1987 with increased taxable profits by all five of Croda's business divisions. Speciality chemicals, the biggest division, saw profits rise to £19.0m (£18.8m) while industrial chemicals turned in a profit of £3.5m (£3m).

The food sector recovered well after a poor period in the mid-1980s, making a profit of £1.9m (£1.3m). The profit figures for cosmetics and toiletries and surface coatings, the other two divisions, were £2.8m (£2.6m) and £6.5m (£6.1m).

Mike Cannon: results illustrate a solid advance

During the year Croda stepped up spending on capital projects, which was up 41 per cent during the year from £12.9m to £18.3m.

Mr Cannon said the outlook for 1989 was reasonably good though he warned that "an overzealous" pursuit by the Government of a financial policy centred on high interest rates and a strong pound could undermine profits throughout the UK chemicals industry.

**● COMMENT**

Croda is involved in so many areas of chemicals that it is generally able to balance poor performances in one sector with better ones elsewhere. It is also well spread geographically with about half total turnover accounted for by markets outside the UK. Fortunately for the company, at the moment all its divisions are moving ahead reasonably comfortably as a result of the strong demand for chemicals in most parts of the industrialised world. There are, however, some worrying signs of overheating in terms of the higher raw material costs which the company is being forced to pay for items like fats and oils. The market for Croda's goods does not appear to be quite so good that it is able to pass on all these costs to customers, which is one reason for the less than wonderful results. For the current year, analysts are slightly concerned that the demand for some parts of the company's product portfolio could slacken. Croda would, for instance, be hard hit by any downturn in manufacturing industry which would reduce prospects for the company's important divisions selling speciality and industrial chemicals. Analysts are looking for a profit for the current year of about £37m, which would put the company on a ratio just under 10, nothing to get wildly enthusiastic about.

# Paints and ink boost lifts Manders by 25%

By Richard Tomkins, Midlands Correspondent

MANDERS (HOLDINGS), the Wolverhampton-based paints, inks and property group, increased pre-tax profits by 25 per cent from £4.88m to £6.12m, in 1988.

The larger part of the increase came from the paint and ink divisions, where higher turnover, rationalisation and modernisation of plant took trading profits up from £3.08m to £4.22m.

The property side of the business - a Wolverhampton office and shopping complex called the Mander Centre - increased its contribution from £2.58m to £2.94m as a result of higher rental levels achieved during the year.

Turnover rose from £55.94m to £61.92m, an increase of 11 per cent. Net interest payable was £1.05m (£780,000) and an increased tax charge of 31 per cent left earnings per share up at 14p (11.6p).

A final dividend of 4.55p is proposed, making 6.35p (5.5p).

Mr Amos said the decorating division had seen the installation of new computer controlled paint manufacturing plant. The distribution network had also been strengthened through the acquisition of two decorators' merchants and a paint and wallpaper distributor.

In coatings and inks, the acquisition of QC Colours had substantially improved its share of the UK liquid ink market and negotiations were continuing over the purchase of Johnson &Bloy, the purchase of which would make Manders one of the top three ink suppliers in the UK.

Mr Amos looked forward to further improvements in earnings this year as the benefits of rationalisation and modernisation, acquisitions and organic growth came through.

# Sun Alliance agrees 60% stake in Hogg Robinson

By Patrick Butler

SUN Alliance, the insurance group, is to boost its retail distribution network after agreeing in principle to pay £18m for a 60 per cent stake in Hogg Robinson Property Services, the estate agency division of Hogg Robinson, the travel, transport, financial and property services company.

As part of the deal the two companies have agreed in principle that Sun Alliance insurance services will be offered through the 207 branches of Hogg Robinson Travel, the group's travel division.

The agreement will mean the formation of a joint company, with Mr Brian Perry, chairman of Hogg Robinson chairman, as its chairman. Mr Brian Wright, group executive director of Sun Alliance, is to be his deputy.

Mr Perry said the proceeds of the deal would be used to develop the group's existing business. It would also provide a cushion against the worst effects of the current slump in the residential property market.

"But more importantly it will give us a link with a powerful partner with whom we can move forward at a time when others might be cutting back. We are very, very happy about this deal."

Mr Peter Taylor of Sun Alliance said the link-up formed part of his company's strategy to expand its retail distribution network. Last year Sun Alliance bought a 90 per cent stake in Swinton Holdings, the family-run personal lines insurance intermediary.

"This gave us 500 outlets through Swinton agencies, mainly in the north-west," Mr Taylor said. "The deal with Hogg Robinson will give us access to a further 207 outlets, most of which are in the south-east and the west corridor of the country so we have a very wide spread."

For the current year to the end of March Hogg Robinson's property division is expected to slip into loss, in common with most residentially-based estate agency chains.

## COMPANY NEWS IN BRIEF

BANNER HOMES Group reported pre-tax profits of £1.81m (£1.51m) for 1988 on turnover of £6.78m (£6.11m). Tax amounted to £539,000 (£500,000) leaving earnings of 3.9p (3.4p) per share for the dividend which, with a final of 1.7p per share, totals 2.8p (1.3p).

FLOYD ENERGY came back into the black in 1988 with a pre-tax profit of £0.35m against a previous loss of £0.8m. Turnover last year totalled £23m (£6.5m).

GABICCI, a USM quoted designer and supplier of high quality men's casual wear reported interim pre-tax profits for the six months to December 19 down from £326,000 to £251,000 after £250,000 costs incurred in new product and marketing developments. Turnover increased from £13.2m to £13.8m; the tax charge was £298,000(£294,000) leaving earnings per share of 4.8p(5.4p) for an interim dividend of 1.4p (same).

J HEWITT & Son (Fenton) pre-tax profits dropped sharply from £797,000 to £272,000 in the year to December 31 last against a fall of only £247,000 to £9.66m in turnover. The dividend is cut from 5p to 2p with a final of 1p (4p) from earnings of 4p (18.3p).

LAW DEBENTURE Corporation's net asset value at December 31 improved from 295.4p to 326.5p. Gross revenue for 1988 amounted to £6.46m (£5.88m); pre-tax profits were £3.22m (£2.59m) and tax took £1.14m (£1.15m) leaving earnings to emerge at 12.22p (10.7p) per share. Final dividend proposed is 6.45p (5.25p) making a total of 10.2p (8.5p).

MINING & ALLIED Supplies reported pre-tax profits of £710,000 for the year to December 31 last compared with a loss of £221,000 for the previous year. Turnover increased 62 per cent to £13.1m (£8.1m) and earnings per share were 1.46p (loss 1.65p) after a £308,000 (£78,000) tax charge. There is no dividend.

SOTON.I.O.W pre-tax profits for the year to end December 31 last were up from £2.4m to £2.8m. Turnover improved from £11.8m to £14.2m and tax took £1.12m (£778,000); the dividend is a proposed final of 18p (17p) making a total of 24p (23p) from earnings of 50.47p (46.46).

WSP HOLDINGS reported a 54 per cent improvement to £647,000(£421,000) in pre-tax profits for the year to December 31 1988 on turnover which showed a 61 per cent jump to £2.42m(£2.12m). A final dividend of 1.3p makes a total of 2.1p(0.8p). Earnings per share came out at 6.6p(4.5p) after tax of £237,000(£165,000).

## COMMODITIES AND AGRICULTURE

# Farm price talks end with guarded optimism

By Tim Dickson in Brussels

EXPECTATIONS ARE rising in Brussels that this year's farm price negotiations may be concluded at the next meeting of European Community Agriculture Ministers in Luxembourg on April 17.

The feeling of guarded optimism – notwithstanding this week's inconsequential EC Farm Council, which broke up around midnight on Tuesday – is based on the first tentative signs that the Agriculture Commissioner Mr Raymond MacSharry is prepared to compromise in key areas of the package. EC officials and diplomats also point out that the European Parliament will have delivered its verdict on the Commission's proposals, a development which is likely to influence and almost certainly ease negotiations in the forthcoming Council.

Those looking for concessions from Mr MacSharry saw some hope in his response to the short lived ideas put forward on Monday by Mr Carlos Romero, the Spanish Agriculture Minister and current chairman of the Farm Council. The straight talking Irish commissioner clearly indicated in subsequent discussions that he was anxious to retain the proposals for reducing the period of guaranteed intervention buying in the cereals sector, but he hinted that he might give way on the Commission's plan to cut the so called "monthly increment" payments by 25 per cent.

His reaction to Mr Romero's plan to considerably soften the Commission's proposal for a 5 per cent sugar price cut was not enthusiastic – but he did say that the 5 per cent figure was not "sacrosanct".

The only tangible decisions taken by this week's Council were to continue for a further two months the arrangements for New Zealand butter imports which officially came to an end at the end of last year, and amendments to two old directives on sanitary conditions for imported meat from non-EC countries.

# EC 'not falling behind' on plant biotechnology

By Bridget Bloom, Agriculture Correspondent

EUROPEAN COMPANIES are not currently falling behind their American and Japanese counterparts in the field of plant biotechnology, the new science which holds out the prospect greatly increasing agricultural yields over the next decade or two, according to Mr Tom Skelly, chief executive of Nickerson International Seed Company.

Nickerson, which is part of the Shell Group, is investing some £17m a year or 18 per cent of its turnover in plant breeding and biotechnology designed both to improve yields and the disease and pesticide resistance of key agricultural crops.

Mr Skelly was commenting on the contention of Mr Earle Harbison, President of the US Monsanto corporation, that political controversy within Europe over biotechnology could adversely affect European competitiveness in the sector.

At an open day following the company's move to new headquarters in Cambridge, Mr Kelly this week accepted that there was public concern over *some aspects of biotechnology*. Monsanto, for example, is experiencing problems with a hormone which induces cows to produce more milk.

However, Nickerson believes that there is much less concern over plant biotechnology, partly because most of the new techniques enhance rather than change natural occuring growth patterns.

Nickerson, which claims to be among the world's ten top seed companies, is the focus of the Shell Group's agribusiness interests in biotechnology.

The company hopes to begin field trials on new disease resistant hybrids of oilseed rape this autumn in the UK, as well as through its French and German operating companies, although no seed is likely to be commercially available for five years. The company's other biotechnology research includes potatoes, spring barley and maize, while cool and warm climate vegetable varieties are under investigation in the Netherlands and Spain.

The company's scientists highlight two principal benefits from their research. Normal plant breeding cycles can be cut, from, for example, eight to three years, while with new gene-splicing techniques disease resistance and other characteristics can be transferred from one species to another.

*Mr Skelly said the new techniques could help to add value* to traditional crops, and the breeding of disease resistant varieties would mean that less pesticides would ultimately need to be used.

# Zinc price volatility under attack

By David Blackwell

**THE VOLATILITY of zinc prices on the London Metal Exchange came under attack from all sectors of the zinc industry at an LME seminar in London yesterday.**

**But while miners and smelters seemed prepared to welcome the exchange's special high grade zinc contract, launched last September, as the price indicator for the industry, UK consumers lamented the demise of the European Producer Price at a time of high prices.**

**They warned of an increasing number of their customers seeking cheaper alternatives to zinc.**

**Earlier this month the exchange's cash zinc price topped $2,000 a tonne, twice the level of a year ago.**

**Mr Jeremy Woolridge, chairman of B.E. Wedge Holdings, the UK galvaniser, said there was a rising crescendo of concern among consumers about the high price of zinc, and suggested that timing of the LME's launch of the SHG contract was at best unfortunate. Prices at unheard of and unanticipated levels "threaten to do profound harm to consuming industries," he said.**

**Dr Klaus Goeckmann of Cominco, the big North American producer, and Mr Chris Holroyd, of AM & S Europe-Pasminco, the smelter, both called on the industry to use the LME contracts more. This would provide the increased liquidity needed to flatten the movement of prices, they suggested. They also called for an early end to the high grade zinc contract, now trading in parallel with special high grade.**

**Mr Raj Bagri, chairman of Metdist Trading and a member of the LME Board, hinted that the exchange would soon axe the high grade contract. The standard aluminium contract did not survive for long after the launch of the 99.7 per cent purity aluminium contract.**

**He pointed out that the LME did not set the prices, and urged the industry to make more use of the market.**

**"People who complain of these distortions have the solution in their own hands," he said.**

**The seminar, the first of its kind ever to be run by the LME, was generally regarded by participants as a success. The consensus appeared to be that the industry should participate more actively in the SHG contract, while the exchange *should both expand* its network of warehouses, to help lift stock levels, and make greater efforts to ensure that the industry understood how its trading system worked.**

# Tin surge raises doubts about supply curbs

By Wong Sulong in Kuala Lumpur

SOARING TIN prices and tight supplies in recent weeks have provoked questions among tin producers about the actual level of stocks overhanging the market. There are also doubts about the so-called "supply rationalisation scheme" operated by members of the Association of Tin Producing Countries, which one senior Malaysian official recently suggested was becoming "superfluous".

The scheme, now in its third year, is aimed at depleting the overhanging stocks in the market, which the association estimated to be around 38,400 tonnes at the end of last month.

The seven association members – Malaysia, Indonesia, Thailand, Bolivia, Australia, Nigeria and Zaire – had agreed to restrict their exports to 106,400 tonnes over the next 12 months to whittle down the stocks to around 20,000 tonnes. Non-members China and Brazil – now the world's biggest producer of the metal – agreed to continue co-operating with this strategy.

However, there is a growing feeling that the level of stocks may have been over-estimated. The recent surge in the tin price, speculative activity notwithstanding, indicates strong consumer demand, and this is confirmed by the fact that European stocks, currently at 2,500 tonnes, are the lowest in a decade.

Since the start of this year, prices on the Kuala Lumpur Tin Market have risen by more than 20 per cent, and they appear to be holding up well in the 24 ringgit a kilogram range – equivalent to just over £5,000 a tonne – a level unimaginable a year ago. The price yesterday was 24.22 ringgit.

"It certainly appears that there is very little tin on the market," said a Malaysian mining official. "The Asian banks, which held 18,000 tonnes as collateral for loans to the International Tin Council, have sold off stocks that are not subject to litigation."

The producers' association's executive council will hold an emergency meeting in Kuala Lumpur on April 10 to discuss the market situation, and to assess views of members on whether the supply rationalisation scheme is still necessary.

Before that, members will have the opportunity to consult with non-member tin producers and with consumers when they meet in Geneva from next Monday to April 7 to set up the International Tin Study Group.

ATPC member governments, which still have painful memories of the tin market plunge which followed the collapse of the International Tin Council's buffer stock operation late in 1985, are fearful that the current surge in prices may encourage increased production, leading to the return of the over-supply situation.

However, many Malaysian miners feel even if the association were to allow its scheme to lapse, members would be unlikely to produce very much more than their present allocations.

"Malaysia, Thailand and Bolivia cannot increase their current output by very much. Existing mines are very comfortable with present prices, but there are many Malaysian miners who had obtained permission to restart their mines a year ago when the price was 15 ringgit a kilogram, and yet have not done so," said a senior mining official. "This indicates that present prices may not be that attractive to reopen old mines."

He said Malaysia could increase production appreciably only if state governments like Perak and Selangor released new land for mining. But, he pointed out, they have no incentive to do so because they no longer collect any royalties on tin production.

# Western Australia's gas-fired mineral plan

**Kenneth Gooding outlines plans to capitalise on cheap energy supplies**

MR PETER DOWDING, the new Premier of Western Australia, one of the richest natural resource areas in the world, was quite clear about what strategy his Labour Government should pursue. "We are happy to be the quarry of the world, but we need to develop more processing of our raw materials. We want to encourage secondary and tertiary processing," he said this week.

This approach was possible, he pointed out, because of the availability in West Australia of cheap energy following the development of the North-West Shelf natural gas project since the early 1980s. Mr Dowding recalled that this project, the largest resource development yet undertaken in Australia, and one of the biggest anywhere in the world, was virtually underwritten entirely by a previous Conservative West Australian Government.

Unfortunately for Mr Dowding, one of the key downstream projects – the development of an A$800m (£380m) petrochemical complex to be built at Kwinana, near Perth, has sparked off a political brawl about the state's direct involvement.

The project has been affected by the collapse of Mr Laurie Connell's Rothwells merchant bank which resulted in another aggressive local entrepreneur, Mr Alan Bond, emerging as the main shareholder and the West Australian Government taking a stake.

Some critics suggest this was a case where the State Government stepped in to help friends in need.

Mr Dowding insisted, however, that his Government was prepared to get involved because of petrochemical projects' immense strategic importance to Western Australia. He pointed out that until the 1960s Western Australia was "a backwater state" relying on wool, wheat and gold for its income. Then the Government backed the iron ore, aluminium and nickel industries, in which Western Australia became a world leader.

Today it produces about a fifth of the iron ore traded nationally, 22 per cent of the world's alumina (aluminium oxide), and nearly 10 per cent of its nickel output.

Mr Dowding said the petrochemical plant would not only provide about 400 permanent jobs; it also would become a major exporter of raw materials for the plastics industry, produce caustic soda for the local alumina industry (thus reducing imports), and in the process be a big user of the state's natural gas.

Looking relaxed in his 19th floor office of the government building in Perth, flanked by other ministers and advisers, Mr Dowding recalled that, after local entrepreneurs had suggested the project, the Government put out feelers to see if any major petrochemical companies would be interested in getting involved. But none took the bait.

"There is no petrochemical group which regards this as their own back yard. They have no reason to set up here. We (the Government) see ourselves as progenitors of the scheme and will stick with it until it is up and running," he said.

The Western Australian economy already benefits substantially from its mineral production, which in the fiscal year to the end of June was worth A$7bn, a 17 per cent increase on the previous 12 months and more than double the combined value of all the state's various agricultural commodities. Most of the minerals were exported – the state is responsible for about a third of Australia's total mineral exports.

> "We are happy to be the quarry of the world, but we need to develop more processing of our raw materials."

"The 'value added' thrust already has seen some results. Mr Dowding pointed to the progress made by the state in encouraging an integrated aluminium industry and to the rapid expansion of Western Australia's mineral sands business – which includes downstream treatment plants.

These include the world's first fully-integrated mineral sands project, an A$370m venture at Cooljaroo, inland from Cervantes, in which the Western Australian Government has taken a shareholding.

The state produces about 30 per cent of the world's ilmenite, 40 per cent of the world's zircon and 50 per cent of the world's monazite. Its large resources of mineral sands, coupled with steadily increasing world demand, are expected to lead to further developments during the 1990s.

Apart from increased mining, there is considerable potential for additional processing, including production of synthetic rutile, titanium dioxide pigment, titanium tetrachloride, titanium metal, zirconia and zirconia products.

There is also scope for the processing of monazite into individual rare earth elements of high purity and the production of magnets, phosphors and ceramics derived from them.

Mr Dowding expressed disappointment over the absence so far of any downstream activity by the iron ore industry. Nevertheless, he said he had some hopes that the industry's search for alternative methods of steelmaking, particularly by direct smelting, would soon pay off.

Gold overtook iron ore last year as Western Australia's most important mineral commodity in terms of the value of production. Low iron ore prices played a big part in this change because the volume of ore sold increased by 22 per cent. However, recently the producers won their first price rise for five years – one of 15 per cent – in their negotiations with Japanese consumers.

Gold has come back from virtually nothing since Western Australian output dropped to only 11 tonnes, worth A$200m, in 1981. In the fiscal year to end-June, 1987, gold production, at 64.9 tonnes and worth A$1.83bn, passed the previous weight record set as far back as 1902. In 1987-88, output moved up again to 90.5 tonnes, worth A$1.84bn.

Mr Des Kelly, director general of mines in the State's Department of Mines, suggested output could reach a plateau of about 100 tonnes in each of the next two years. Future progress would depend on the gold price and whether there were any significant new discoveries in the state.

Gold still has a glamorous aura and last fiscal year accounted for about 70 per cent of the A$400m spent on mineral exploration in the state.

Output is being boosted because some companies are rushing to get the gold out of the ground before 1991, when gold mining groups will have to pay corporation tax for the first time.

Mr Dowding made it very clear Western Australian gold miners could expect no extra help after the so-called "gold tax" is introduced. The state was already helping the industry in various ways, most importantly by not charging a royalty on gold production when most other states took 5 per cent.

Even the gold business has been subjected to the Western Australian Government's determination to move downstream. The state-owned Gold Corporation (Goldcorp), among other things, successfully launched the Australian Nugget gold coins. The original idea was for Goldcorp to become a fully-fledged gold bank, but the Federal Treasury baulked at granting a banking licence to the upstart.

More shadows were thrown over Goldcorp's future when the Government decided to phase out the controversial Western Australian Development Corporation, of which it is an offshoot.

However, Mr Dowding said this week Goldcorp would continue its refining, minting and gold coin activities.

Western Australia hopes that by prompting downstream projects such as Goldcorp, the petrochemical complex and the mineral sands venture, the great surge of development seen in the state in the 1960s and 1970s will be surpassed by a long period of expansion ahead.

## WORLD COMMODITIES PRICES

## LONDON MARKETS

COFFEE prices fell steeply for the second consecutive day. The May contract lost £34 to £1,084 a tonne following Tuesday's fall of £32. Dealers said the market had no will of its own, but was merely following New York down. "There's no coffee news at all," said one. Analysts are now looking for the market to stabilise within the current lower range. Caution is also likely ahead of Easter and key International Coffee Organization council meetings early next month. A sharp fall in sugar prices also reflected New York's retreat. Recent strength had been inspired by good physical interest from the Soviet Union, China, Mexico and Venezuela, dealers said. The absence of further significant offtake this week had accelerated the decline. Base metal prices on the LME were firmer across the board.

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $16.00-6.10z | -0.25 |
| Brent Blend | $18.15-8.25q | -0.15 |
| W.T.I. (1 pm est) | $19.80-9.85z | -0.15 |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $215-217 | +4 |
| Gas Oil | $155-157 | +1.5 |
| Heavy Fuel Oil | $89-91 | +1 |
| Naphtha | $178-180 | +2.5 |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $394.25 | +1.25 |
| Silver (per troy oz)♣ | 607c | |
| Platinum (per troy oz) | $544.6 | +4.6 |
| Palladium (per troy oz) | $144.75 | +0.75 |
| Aluminium (free market) | $1935 | +40 |
| Copper (US Producer) | 144⅝-147c | -⅞ |
| Lead (US Producer) | 37.5c | |
| Nickel (free market) | 725c | -15 |
| Tin (European free market) | £5175 | -5 |
| Tin (Kuala Lumpur market) | 24.22r | +0.05 |
| Tin (New York) | 409.5c | +1.0 |
| Zinc (US Prime Western) | 95⅞c | |
| Cattle (live weight)† | 108.88p | +0.10* |
| Sheep (dead weight)† | 204.88p | +28.8* |
| Pigs (live weight)† | 83.52p | -0.65* |
| London daily sugar (raw) | $297.2v | -5.8 |
| London daily sugar (white) | $325.5v | -3.5 |
| Tate and Lyle export price | £284.0 | -4.0 |
| Barley (English feed) | £115q | |
| Maize (US No. 3 yellow) | £131 | |
| Wheat (US Dark Northern) | £128.25v | |
| Rubber (spot)♥ | 57.50p | +0.50 |
| Rubber (Apr) ♥ | 67.50p | +0.75 |
| Rubber (May) ♥ | 67.75p | +0.50 |
| Rubber (KL RSS No 1 Apr) | 288.5m | +2.0 |
| Coconut oil (Philippines)§ | $547.5u | |
| Palm Oil (Malaysian)§ | $402.5w | |
| Copra (Philippines)§ | $355 | |
| Soyabeans (US) | $205z | |
| Cotton "A" index | 67.80c | +0.55 |
| Wooltops (64s Super) | 645p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Apr/May. u-Mar/Apr. q-Apr. z-May/Jun. w-Apr/Jun. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

**COCOA £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 808 | 810 | 810 804 |
| May | 816 | 802 | 816 808 |
| Jul | 828 | 814 | 828 814 |
| Sep | 835 | 824 | 836 824 |
| Dec | 864 | 855 | 864 854 |
| Mar | 850 | 842 | 860 842 |
| May | *849* | *842* | *849 841* |

Turnover:3429 (10500) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 21:1063.65 (1068.58):10 day average for Mar 22:1089.49 (1091.52).

**COFFEE £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 1120 | 1140 | 1124 1107 |
| May | 1084 | 1118 | 1100 1081 |
| Jly | 1054 | 1070 | 1062 1042 |
| Sep | 1038 | 1063 | 1049 1029 |
| Nov | 1032 | 1058 | 1049 1025 |
| Jan | 1035 | 1059 | 1043 1025 |
| Mar | 1040 | 1058 | 1043 1025 |

Turnover:7139 (4551) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 21: Comp. daily 115.93 (118.86); . 15 day average 119.06 (119.09).

**SUGAR ($ per tonne)**

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| May | 259.20 | 272.40 | 270.00 256.00 |
| Aug | 261.40 | 273.40 | 270.40 258.00 |
| Oct | 258.80 | 270.20 | 269.00 256.00 |
| Dec | 257.00 | 269.40 | 265.00 |
| Mar | 253.00 | 262.00 | 260.00 252.40 |
| **White** | **Close** | **Previous** | **High/Low** |
| May | 313.00 | 324.50 | 322.50 310.00 |
| Aug | 315.50 | 330.50 | 326.00 312.00 |
| Oct | 304.00 | 319.50 | 318.00 302.00 |
| Dec | 298.00 | 313.00 | |
| Mar | 292.00 | 306.00 | 302.00 292.00 |
| May | 290.00 | 305.00 | 302.00 290.00 |
| Aug | 292.00 | 305.00 | 298.00 290.00 |

Turnover: Raw 8063 (3040)lots of 50 tonnes. White 1545 (1124).
Paris- White (FFr per tonne): May 1975, Aug 1958, Oct 1905, Dec 1880, Mar 1855, May 1835.

**LONDON METAL EXCHANGE TRADED OPTIONS**

| *Aluminium (99.7%)* | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | May | Jul | May | Jul |
| 1850 | 134 | 132 | 20 | 66 |
| 1950 | 70 | 81 | 55 | 102 |
| 2050 | 31 | 46 | 115 | 165 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2800 | 321 | 243 | 23 | 117 |
| 3000 | 176 | 146 | 76 | 215 |
| 3200 | 81 | 82 | 177 | 346 |

**WOOL**

MINOR fluctuations in currency provide a reason sometimes for adjusting quoted prices. However, these are simply not being tested at present. Buying interest is very often described as totally lacking. The best that can be said is that some patchy enquiry comes through now and then, but the policy is strictly hand-to-mouth. Since deliveries are not going out as well in several sectors stockholding costs are tending to increase and erode any possible profitmargins further. Order books are already short but hopes of replenishment become more distant when the call for deliveries slows down. The bulk of the trade is resigned to difficult times in the months ahead. Quoted prices show little or no change in Bradford.

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Ring turnover 21,150 tonne |
| Cash | 1955-60 | 1915-20 | 1930 | 1930-1 | | |
| 3 months | 1942-3 | 1915-20 | 1945/1915 | 1920-5 | 1940-5 | 29,754 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Ring turnover 30,000 tonne |
| Cash | 1912-5 | 1852-7 | 1907/1900 | 1905-7 | | |
| 3 months | 1768-9 | 1733-4 | 1774/1753 | 1766-7 | 1755-6 | 67,417 lots |
| **Silver (US cents/fine ounce)** | | | | | | Ring turnover 0 ozs |
| Cash | 601-3 | 601.5-4.5 | | 602-3 | | |
| 3 months | 615-8 | 614.5-7.5 | | 616-8 | | 349 lots |
| **Lead (£ per tonne)** | | | | | | Ring turnover 13,825 tonne |
| Cash | 344.5-5 | 340-2 | 362 | 342.5-3.5 | | |
| 3 months | 354.5-5 | 350-1 | 354.5/351 | 352.5-3 | 353-4 | 9,068 lots |
| **Nickel ($ per tonne)** | | | | | | Ring turnover 3,072 tonne |
| Cash | 16400-50 | 16200-50 | 16500/16150 | 16150-200 | | |
| 3 months | 16050-100 | 15900-50 | 16300/15800 | 15850-6000 | 16050-100 | 8,467 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Ring turnover 9,600 tonne |
| Cash | 1835-40 | 1775-85 | 1805/1800 | 1800-5 | | |
| 3 months | 1795-800 | 1755-60 | 1865/1785 | 1765-70 | 1780-90 | 5,981 lots |
| **Zinc ($ per tonne)** | | | | | | Ring turnover 12,775 tonne |
| Cash | 1815-25 | 1780-5 | 1810 | 1780-1 | | |
| 3 months | 1760-5 | 1739-5 | 1770/1730 | 1740-2 | 1755-60 | 11,674 lots |

**POTATOES £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 67.6 | 69.0 | 69.0 66.6 |
| May | 85.9 | 86.5 | 89.0 85.7 |
| Apr | 133.8 | 133.9 | 138.0 133.8 |

Turnover 222 (248) lots of 40 tonnes.

**SOYABEAN MEAL £/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 168.00 | | 168.00 |
| Jun | 159.00 | 160.50 | 159.00 |
| Aug | 156.00 | | 156.00 |
| Oct | 155.00 | | 155.00 |

Turnover 73 (60)lots of 20 tonnes.

**FREIGHT FUTURES $10/index point**

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 1632 | 1632 | 1632 |
| Apr | 1627 | 1629 | 1630 1605 |
| Jul | 1380 | 1385 | 1384 1365 |
| Oct | 1485 | 1487 | 1485 1485 |
| Jan | 1515 | 1510 | 1585 1505 |
| Apr | 1585 | 1580 | 1585 |
| BFI | 1640 | 1644 | |

Turnover 550 (301)

**GRAINS £/tonne**

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 116.50 | 115.20 | 116.75 116.50 |
| May | 118.70 | 118.45 | 119.00 118.65 |
| Jun | 120.80 | 120.35 | 120.80 120.55 |
| Sep | 103.85 | 103.65 | 103.85 103.65 |
| Nov | 106.20 | 106.00 | 106.20 |
| Jan | 109.20 | | 109.20 109.10 |
| *Mar* | *112.15* | | *112.15 112.05* |
| **Barley** | **Close** | **Previous** | **High/Low** |
| Mar | 110.25 | 110.05 | 110.25 |
| May | 111.70 | 111.50 | 111.70 111.60 |
| Sep | 100.80 | 100.70 | 100.80 100.70 |

Turnover: Wheat 333 (235), Barley 24 (22).
Turnover lots of 100 tonnes.

**LONDON BULLION MARKET**

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 394-394½ | 228¼-228¾ |
| Opening | 393-393½ | 228½-229 |
| Morning fix | 393.40 | 228.761 |
| Afternoon fix | 393.35 | 228.586 |
| Day's high | 394¼-394¾ | |
| Day's low | 392¾-393¼ | |
| **Coins** | **$ price** | **£ equivalent** |
| Mapleleaf | 405-410 | 234½-237½ |
| Britannia | 405-410 | 234½-237½ |
| US Eagle | 405-410 | 234½-237½ |
| Angel | 405-410 | 234½-237½ |
| Krugerrand | 393-396 | 227¼-229¼ |
| New Sov. | 92½-93½ | 53½-54¼ |
| Old Sov. | 92½-93½ | 53½-54¼ |
| Noble Plat | 548.70-553.15 | 317.75-321.50 |
| **Silver fix** | **p/fine oz** | **US cts equiv** |
| Spot | 352.05 | 605.70 |
| 3 months | 363.40 | 621.70 |
| 6 months | 374.40 | 638.20 |
| 12 months | 397.25 | 674.80 |

**CRUDE OIL $/barrel**

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 18.52 | 18.32 | 18.58 18.39 |
| Jun | 17.98 | 17.79 | 18.05 17.80 |
| Jul | 17.56 | 17.38 | 17.55 17.46 |
| IPE Index | 18.27 | 17.90 | |

Turnover: 5188 (5456)

**GAS OIL $/tonne**

| | Close | Previous | High/Low |
|---|---|---|---|
| Apr | 154.25 | 152.25 | 154.50 152.25 |
| May | 152.75 | 150.75 | 153.50 151.00 |
| Jun | 151.50 | 149.75 | 152.00 150.50 |
| Jul | 152.25 | 149.75 | 152.25 150.25 |
| Aug | 153.50 | 151.00 | 153.50 151.00 |
| Sep | 153.00 | 152.00 | 153.00 |
| Oct | 157.00 | | 157.00 154.50 |
| Nov | 157.00 | 153.75 | 157.00 154.50 |
| Dec | 158.75 | 155.00 | 158.75 158.00 |

Turnover 5661 (5709) lots of 100 tonnes

## US MARKETS

IN THE METALS, gold, silver and platinum markets all featured slow trading as pre-holiday conditions were seen, reports Drexel Burnham Lambert. Prices drifted slightly lower in most of the metals due mainly to to lower prices in the energy markets. Copper futures opened higher then remained firm on local activity. In the softs, sugar futures were the days busiest market as prices fell 63 in the May contract. Heavy fund liquidation started the sell-off along with sell stops adding weakness later on. Cocoa rose 23, basis May , on scattered buying. In livestock trading, Tuesday's bearish out of town storage report and increased movement into cold storage weighed down pork belly futures. Live hogs had sideways action with light packer demand due to negative cutout margin noted. Cattle prices were lower despite a strong cash market. The energy markets gave back some gains made earlier in the week with crude oil *prices hovering around 20 dollars.* Volume was lighter than normal as pre-holiday conditions keep trading slow. The grain markets featured higher prices in the soy complex as technical buying was seen. The soyameal gained on commission house buying prompted by expected Eastern European tender activity.

## New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 394.4 | 394.7 | 0 | 0 |
| Apr | 395.1 | 395.6 | 396.4 | 394.4 |
| May | 397.6 | 398.2 | 0 | 0 |
| Jun | 400.2 | 400.9 | 401.6 | 399.7 |
| Aug | 405.8 | 406.6 | 406.7 | 405.0 |
| Oct | 412.0 | 412.8 | 412.8 | 412.5 |
| Dec | 418.3 | 419.1 | 419.2 | 417.5 |
| Feb | 424.4 | 425.2 | 0 | 0 |
| Apr | 430.5 | 431.3 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 546.9 | 548.2 | 550.5 | 546.0 |
| Jul | 546.6 | 548.2 | 550.0 | 546.0 |
| Oct | 548.8 | 548.2 | 549.5 | 548.5 |
| Jan | 548.3 | 549.7 | 0 | 0 |
| Apr | 550.6 | 551.2 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 605.8 | 608.4 | 608.5 | 604.5 |
| Apr | 608.0 | 607.0 | 0 | 0 |
| May | 611.8 | 612.8 | 615.0 | 609.5 |
| Jul | 623.8 | 625.0 | 627.0 | 622.0 |
| Sep | 635.7 | 637.1 | 637.5 | 634.0 |
| Dec | 653.1 | 654.7 | 656.0 | 652.0 |
| Jan | 658.8 | 660.4 | 0 | 0 |
| Mar | 670.6 | 672.3 | 671.0 | 669.5 |
| May | 682.0 | 683.8 | 682.5 | 682.5 |
| Jul | 693.7 | 695.8 | 0 | 0 |

**INDICES**

| REUTERS (Base: September 18 1931 = 100) | | | |
|---|---|---|---|
| Mar 21 | Mar 20 | mnth ago | yr ago |
| 1995.4 | 2002.4 | 1938.3 | 1737.3 |

| DOW JONES (Base: Dec. 31 1974 = 100) | | | | |
|---|---|---|---|---|
| Spot | 138.25 | 138.61 | - | 130.28 |
| Futures | 140.25 | 140.87 | - | 133.26 |

**COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 140.20 | 139.80 | 142.90 | 140.00 |
| Apr | 137.60 | 136.80 | 0 | 0 |
| May | 135.10 | 134.80 | 138.00 | 135.00 |
| Jul | 127.80 | 127.20 | 130.00 | 127.30 |
| Sep | 122.50 | 122.30 | 124.60 | 122.00 |
| Dec | 117.70 | 117.40 | 119.50 | 118.20 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| May | 19.88 | 20.05 | 20.02 | 19.72 |
| Jun | 19.32 | 19.49 | 19.46 | 19.20 |
| Aug | 18.62 | 18.74 | 18.71 | 18.62 |
| Sep | 18.28 | 18.45 | 18.42 | 18.20 |
| Oct | 18.00 | 18.19 | 18.16 | 18.00 |
| Nov | 17.75 | 17.96 | 17.90 | 17.75 |
| Dec | 17.65 | 17.76 | 17.89 | 17.60 |
| Jan | 17.31 | 17.62 | 17.45 | 17.31 |
| Feb | 17.18 | 17.36 | 17.30 | 17.18 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 5515 | 5543 | 5580 | 5480 |
| May | 5275 | 5287 | 5310 | 5250 |
| Aug | 5000 | 5057 | 5060 | 5000 |
| Sep | 5035 | 5109 | 5100 | 5035 |
| Oct | 5140 | 5167 | 5165 | 5100 |
| Nov | 5140 | 5224 | 5200 | 5140 |
| Dec | 5245 | 5292 | 5345 | 5200 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 1458 | 1435 | 1473 | 1440 |
| Jul | 1371 | 1357 | 1387 | 1362 |
| Sep | 1352 | 1338 | 1364 | 1340 |
| Dec | 1348 | 1338 | 1360 | 1340 |
| May | 1346 | 1330 | 0 | 0 |
| Jul | 1371 | 1357 | 1387 | 1362 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 128.31 | 127.88 | 29.20 | 126.65 |
| Jul | 122.81 | 122.18 | 124.10 | 122.30 |
| Sep | 119.01 | 118.23 | 119.80 | 118.35 |
| Dec | 115.86 | 116.00 | 117.00 | 115.50 |
| Mar | 115.50 | 115.00 | 116.75 | 118.75 |
| May | 116.25 | 118.25 | 117.50 | 116.00 |
| Jul | *117.00* | *116.75* | *116.90* | *116.90* |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 11.63 | 12.26 | 12.10 | 11.48 |
| Jul | 11.62 | 12.23 | 12.05 | 11.50 |
| Oct | 11.50 | 12.00 | 11.85 | 11.50 |
| Jan | 10.86 | 11.35 | 0 | 0 |
| Mar | 11.24 | 11.62 | 11.48 | 11.12 |
| May | 11.18 | 11.62 | 11.41 | 11.13 |
| Jul | 11.08 | 11.42 | 11.08 | 11.07 |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 59.98 | 60.35 | 0 | 0 |
| May | 61.52 | 61.77 | 62.00 | 61.50 |
| Jul | 62.65 | 62.85 | 63.00 | 62.60 |
| Oct | 63.65 | 63.75 | 63.90 | 63.65 |
| Dec | 63.78 | 63.70 | 63.80 | 63.43 |
| Mar | 64.40 | 64.25 | 64.30 | 64.25 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 149.95 | 151.65 | 152.70 | 149.90 |
| Jul | 149.00 | 149.50 | 150.95 | 148.60 |
| Sep | 147.75 | 149.25 | 148.90 | 147.50 |
| Nov | 144.60 | 146.40 | 146.40 | 144.30 |
| Jan | 143.80 | 145.40 | 145.75 | 143.50 |
| Mar | 143.15 | 144.85 | 0 | 0 |
| May | 142.70 | 144.85 | 0 | 0 |
| Jul | 142.70 | 144.85 | 0 | 0 |

## Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 772/0 | 0 | 772 | 765 |
| May | 792/0 | 784/0 | 792/4 | 780/4 |
| Jul | 801/4 | 794/0 | 802/6 | 790/4 |
| Aug | 800/0 | 791/2 | 801/0 | 788/0 |
| Sep | 774/4 | 769/6 | 775/0 | 769/4 |
| Nov | 758/4 | 758/4 | 760/0 | 750/2 |
| Jan | 766/0 | 760/6 | 767/0 | 759/0 |
| May | 776/0 | 772/0 | 776/0 | 769/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 23.59 | 23.57 | 23.62 | 23.47 |
| Jul | 24.18 | 24.19 | 24.22 | 24.07 |
| Aug | 24.49 | 24.51 | 24.60 | 24.39 |
| Sep | 24.74 | 24.75 | 24.80 | 24.60 |
| Oct | 24.90 | 24.87 | 24.90 | 24.75 |
| Dec | 25.20 | 25.15 | 25.20 | 25.03 |
| Jan | 25.25 | 25.20 | 25.30 | 25.25 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 245.8 | 241.9 | 246.0 | 241.0 |
| Jul | 243.8 | 239.9 | 244.0 | 239.2 |
| Aug | 241.2 | 237.5 | 241.5 | 237.2 |
| Sep | 235.7 | 233.5 | 236.0 | 233.0 |
| Oct | 231.5 | 229.0 | 231.5 | 229.0 |
| Dec | 229.8 | 227.2 | 229.8 | 225.5 |
| Jan | 229.0 | 226.5 | 229.0 | 229.0 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 279/0 | 0 | 281 | 278 |
| May | 279/2 | 280/2 | 280/0 | 277/0 |
| Jul | 283/4 | 284/6 | 284/2 | 281/6 |
| Sep | 274/4 | 277/0 | 277/0 | 273/2 |
| Dec | 272/4 | 276/2 | 275/0 | 271/4 |
| May | 281/0 | 283/2 | 283/0 | 280/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 431/0 | 0 | 432 | 428 |
| May | 426/2 | 433/2 | 432/0 | 426/4 |
| Jul | 407/0 | 411/6 | 411/0 | 406/4 |
| Sep | 415/0 | 419/0 | 418/4 | 415/0 |
| Dec | 427/4 | 429/6 | 429/4 | 426/0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 78.40 | 78.67 | 78.90 | 78.32 |
| Jun | 73.75 | 74.40 | 74.65 | 73.70 |
| Aug | 71.00 | 71.62 | 71.75 | 70.80 |
| Sep | 71.30 | 71.80 | 0 | 71.30 |
| Oct | 71.05 | 71.42 | 71.65 | 70.95 |
| Dec | 72.30 | 72.75 | 72.80 | 72.15 |
| Feb | 72.65 | 72.90 | 72.90 | 72.40 |

**LIVE HOGS 30,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 42.55 | 42.55 | 42.70 | 42.30 |
| Jun | 47.40 | 47.62 | 47.75 | 47.27 |
| Jul | 47.75 | 47.70 | 47.90 | 47.45 |
| Aug | 47.02 | 47.05 | 47.20 | 46.85 |
| Oct | 44.15 | 44.10 | 44.25 | 43.90 |
| Dec | 46.05 | 45.97 | 46.10 | 45.70 |
| Feb | 46.20 | 46.15 | 46.20 | 46.00 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 37.10 | 37.77 | 37.90 | 36.80 |
| May | 38.10 | 38.45 | 38.45 | 37.80 |
| Jul | 38.27 | 38.65 | 38.65 | 37.82 |
| Aug | 37.75 | 37.82 | 37.90 | 37.20 |
| Feb | 53.30 | 52.85 | 53.50 | 52.80 |
| Mar | 51.80 | 51.85 | 52.00 | 51.80 |
| May | 53.00 | 52.80 | 53.00 | 0 |
| Jul | 54.00 | 53.50 | 54.00 | 0 |

## LONDON STOCK EXCHANGE

# Forced selling upsets equity market

THE FRAGILE confidence of the UK stock market was jolted again yesterday by a combination of international and domestic factors. The hefty fall in Tokyo, together with a desultory performance from New York, took the heart out of a UK market unsettled by pressures imposed on some London-based securities houses by the dramatic developments in the brewery sector.

Share prices quickly abandoned an attempt to extend Tuesday's rise, falling by more than 22 FT-SE points, and abandoning an attempt to rally when Wall Street opened lower again. New York's unimpressive response to the improved US consumer prices figures discouraged London's recovery.

Also upsetting the equity market were signs of forced selling by several securities houses; some of them have suffered losses in the American Depository Receipt (ADR) market, where the fall in Saatchi & Saatchi, following the bearish trading statement, has hit traders hard.

The London arm of one US house, identified as a seller, was thought to be under pressure from head office to reduce exposure in the UK market.

Further losses in brewery shares fell on several trading houses which had been bullish ahead of the UK Monopolies and Mergers report. A brewery trader departed from a US-based house, and a leading London firm known as a bull of brewery shares appeared to selling equities yesterday.

It was against this background that the FT-SE Index fell 23.6 points to 2048.6 and analysts began to dust off predictions that the market could fall to the mid-1950 level in the near term, when a fresh advance has been forecast by some chart specialists.

Turnover of 504.1m shares though the Seaq system compared with 447.2m on Tuesday. Traders said that the institutions had stayed out of the way, evidently unwilling to take a view on the market until after the Easter holidays. Lines of stock were offered, but mostly from market makering firms, according to many dealers.

However, there were no signs of alarm in a market which now regards daily swings of 20 FT-SE points as an acceptable feature of the electronic marketplace introduced in London two and a half years ago. "Easter has come early this year," said one seasoned trader. The present trading Account is extended to three weeks, never a popular move with trading houses.

The market seemed content to await today's publication of the UK Retail Price Index for February without much nervousness.Equity analysts expect the year-on-year figure to edge closer to the 8 per cent inflation rate hinted at by the Chancellor of the Exchequer, the median forecast is for a 7.7 per cent, but several predictions range to 7.8 per cent.

**Account Dealing Dates**

| | | | |
|---|---|---|---|
| *First Dealings: | Mar 13 | Apr 3 | Apr 17 |
| Option Declarations: | Mar 30 | Apr 13 | May 4 |
| Last Dealings: | Mar 31 | Apr 14 | May 5 |
| Account Day: | Apr 10 | Apr 24 | May 15 |

*New time dealings may take place from 8.00 am two business days earlier.

## Engines at full throttle

Rolls-Royce powered ahead in good volume — more on news of a £1bn engine order from the US than the rise in full-year profits to £188m (from £158m). The US deal revitalised activity in the stock. It had subsided after a rapid start to the day's trading when, for a few minutes, some in the market thought the company had posted bumper profits, only to be disillusioned by the £28m exceptional item further down the balance sheet.

The figures were slightly towards the upper end of market expectations and the shares closed 3 to the good at 174p. Volume was a busy 14m.

The stock was also buoyed, for the second day running, by stories that the Government would bow to EC pressure and end the 15 per cent ceiling on foreign ownership. "A 25 per cent limit might be a move to placate the EC, which sees no difference between a UK citizen holding shares and a French or West German one," said Mr Pete Deighton, analyst at County NatWest WoodMac. He pointed out that such a change would be relatively innocuous. For some shareholder votes 75% is a key target, but "there is nothing you need 85% for."

None of this did much to unite analysts on this year's prospects. Mr Robert Speed at UBS Phillips and Drew is sticking with £185m. "Performance will be tempered by charges from foreign exchange and R & D," he said. At the other end of the scale, analysts at Robert Fleming are not moving from £241m and say that others will have to revise their forecasts upwards.

### Fallen merchants

Merchant banks were among the market's gloomier features, with Kleinwort Benson disclosing pre-tax profits down from £51.6m to £17.7m, after painful losses in securities trading, where a loss of £45m or so was incurred during the fourth quarter of the year.

The figures were given the expected dreadful reception in the market. Kleinwort shares dropped to around 278p at one point; as the shock of the results was absorbed, but later rallied well to close a net 13 off at 285p.

Analysts were taking a much more positive view of current year prospects. Mr Hugh Pye at County NatWest says the shares rate a "buy, purely on their recovery potential and the fact that they are currently at a 20 per cent discount to asset value." Mr Robert Law at Shearson Lehman Hutton takes a similar view — "for the current year we are going for pre-tax profits of £65m; the shares are attractive at these levels." Morgan Grenfell shares dipped to 287p on the sharply reduced profits but later rallied to close a net 5 higher at 298p as bid hopes resurfaced. Mr Law at Shearson said: "They look attractive, given that they have closed their securities operation." County forecasts a recovery in profits for 1989 to £55m. Shearson is going for £65m this year.

### Saatchi gloom

The gloom over Saatchi & Saatchi shares deepened yesterday as the price dropped in heavy trading to the lowest level for five years. They closed down 15 at 303p for a two-day plunge of 75 following the chairman's warning at Tuesday's annual meeting that profits for the current period will be substantially lower than last year's £138m.

Saatchi could struggle to achieve £85m, say some sector researchers, because of the flat performance of the consulting division and problems in the communications business. Clients in the US are said to be deferring advertising expenditure until the second half owing to the uncertainty surrounding the economy.

Most analysts expect only a marginal improvement next year. The majority have slashed forecasts, and Mr Jason Crisp of County NatWest WoodMac has downgraded his 1990 estimate to £105.5m. He said yesterday: "Outperformance does not look at all probable". Some 10m shares finally changed hands, surpassing Wednesday's high volume of 8.5m.

BAT Industries' preliminary results were impressive. Profits rose 18 per cent to £1.64bn, exceeding most market forecasts, and the dividend was similarly increased. But the news had been discounted, and the shares were content to follow the general downturn and closed 12 lower at 552p.

Mr Mark Duffy of Warburg Securities immediately revised his forecasts for the current year, aiming for £1.75bn against the previous £1.71bn. He commented: "Since September 1988 BAT's price/earnings discount has improved from 32 per cent to 20 per cent. Three month performance will be restricted by concern about Proposition 103 (the Californian referendum which voted for reduced insurance premiums).

Activity in the oil sector was mostly speculative. British Gas dipped 3 to 177½p on 8.1m shares after keen interest in the traded options. BP "old" were a a couple of pence off at 288p on 4.5m and the "new" 1½ easier at 183½p on 3.4m after talk in the market that the company has sold its onshore exploration interests — excluding Wytch Farm and Welton, possibly to an Irish exploration group.

The exploration and production stocks came under pressure, with worries about pre-emption rights over the UK assets of Texas Eastern, where Enterprise recently agreed to pay $1.4bn, tending to unsettle the latter's shares which ran back 13 to 531p.

Lasmo dipped 8 to 446p with the nil paid 5 cheaper at 72p. Clyde Petroleum managed a minor gain at 133p with dealers convinced the 18 per cent holding in Goal is up for sale. New London improved to 27½p, after 30p, on talk of a substantial stake changing hands.

Standard Chartered's preliminary figures were in the middle of market forecasts; the steep decline in the shares, which fell 21 to 538p on 1.5m came after what was described as a very low-key post-results meeting with analysts.

Brewery shares continued to fluctuate wildly as dealers struggled to digest the full implications of the MMC report. The market was full of talk that several leading securities houses have suffered serious trading losses on their breweries books in the past 4 days.

Although some analysts believe the big brewers could benefit in the long-term from the restructuring of the industry, the leading stocks all fell under the weight of selling pressure in spite of some modest late recoveries. Allied Lyons shed 13 at 445p on turnover of 5.3m shares, Bass 20 at 903p (2.9m), Grand Metropolitan 12 at 538p (2.3m) and Whitbread "A" 10 at 334p (5.8m). Guinness were once again in splendid isolation at 436p, up 7 on the day.

Scottish & Newcastle fell a further 14 to 315p in the wake of the MMC's blocking of the Elders IXL bid. Dealers are increasingly worried that the Australian group will have trouble selling over half of its 23 per cent stake as required by the Commission. With such a large line of stock overhanging the market, traders said that S&N could soon fall below the £3 support level.

Regionals were mixed, with Devenish, up 13 at 344p, and Wolverhampton & Dudley, up 7 at 443p; both are regarded as likely to benefit from the shake-up in the industry. Greene King, where Elders has a 13.3 per cent stake, fell 17 to 542p.

The better-than-expected 27 per cent jump in full-year profits at Kingfisher was well received. The market was particularly impressed by the performance of the group's electrical retailing outlet Comet, its Woolworth stores chain, and its property division. In spite of warnings of slowing growth at the diy operation B&Q, several broking houses have upgraded their forecasts. Warburg Securities has raised its estimate for year-end 1990 by £5m to £305m, and BZW by £10m to £310m. Kingfisher closed steady at 268p, after 273p, on turnover of 3.3m shares.

The market slide hit the leading electronics issues. Amstrad were among the poorest performers, with the shares retreating 7 to 142p on turnover of 5.1m.

The latest twist in the GEC/Plessey saga — the Appeal Court rejected Plessey's move to get approval for a buyout of GEC's 50 per cent stake in GPT — left GEC some 7 lower at 228p and Plessey a fraction easier at 254p. After hours GEC announced it was planning to merge its power generation interests with those of France's CGE.

Among mixed Foods retailers held up well. Argyll were the feature, adding 1½ at 173p on turnover of 6.6m shares; marketmakers said the impressive volume indicated that a home had been found for the line of 2.3m shares which was overhanging the market last week.

Norwich-based meat and poultry producer Bernard Matthews fell 3 to 78p after announcing a 27 per cent drop in annual profits to £10.2m.

Hotels and leisure concern Norfolk Capital rose 1¼ to 37¼p after revealing slightly higher final profits; another hotel group, Mount Charlotte (175p), later announced that it had taken a 12.7 per cent interest in Norfolk.

Chrysalis shares leapt 55 to 241p after it was announced that Thorn EMI is taking a 50 per cent stake in the group. Thorn EMI shares came under pressure on the news, losing 21 to 691p.

Midsummer Leisure were down 3 at 239p after British & Commonwealth placed its 10 per cent stake in the group, some 5.1m shares, in the market.

Bostrom, the vehicle seating manufacturer and specialist engineering concern, commemorated its maiden trading statement as a fully listed company with superb annual results. Profits surged 122 per cent to £2.12m and exceeded the forecast of £2.05m made at the time of last autumn's flotation. The shares responded with a rise of 20 to 198p.

London & Metropolitan advanced 2 to 180p on news of a tie-up with Belgian property group Crédit Foncier International.

Fans of Spring Ram were pleased with its full-year pretax profits hike to £16.6m from £10.7m, and a one-for-one scrip issue. Shares moved erratically ahead to 225p, up 10 on the day, in thin trading. Dealers pointed to a confident statement of the current year's prospects, and the company's cash pile as positive factors.

Granada ticked over a busy 2.6m shares traded by the close. Dealers were divided over whether the stock was cheap because it was "only now starting to perform" and "the break-up value is around 550p," or expensive because "the next set of figures will be disappointing" and "buyers are motivated by old bid talk." The stock closed 3 easier at 384p.

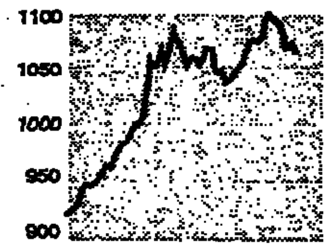
Good final figures from Bowater moved the shares to 477p before settling back to 475p, up 2 on the day. However Smith and Nephew's 14 per cent improvement in full-year profits to £124m had been discounted and the stock slipped 4 to 136p.

Transcontinental Services responded to the cash offer of 256p per share from Banner Industries, the controlling shareholder, with a rise of 15 to 250p.

Rolls-Royce was the most eye-catching of options stocks. on 3,559 contracts, but British Gas made a late run that could prove when all bargains are matched that it attracted the day's biggest trading in an individual stock. The Rolls-Roycebusiness comprised 3,246 calls and 133 puts, on the early count, and Gas 1,761 calls and 1,169 puts. With bargains not immediately included, however, Gas showed almost 5,000 contracts. Overall turnover came to 41,682 contracts, made up of 26,519 calls and 15,163 puts. The FT-SE 100 Index attracted8,034 options contracts, consisting of 3,217 calls and 4,817 puts.

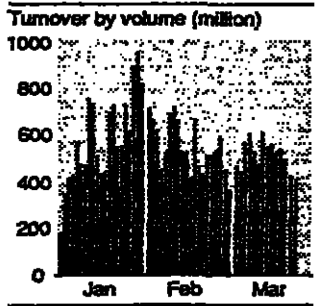
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 34

**FT-A All-Share Index**




**Equity Shares Traded**

Turnover by volume (million)




**NEW HIGHS AND LOWS FOR 1988/89**

NEW HIGHS (160). [illegible] (H1), Cossit, Dolphin Pack., Electrolux, Essette, Granada, Hampson Inds., Hendley-Walker Grp., Harding Grp., Huntingdon Int'l., Johnson Cleaners, Oy Wartsila, Pentland, Platon Int'l., Robertson Grp., Stts. Bus. Grp., Spring Ram, Tilon, INSURANCE (3) Dom. & Gen. Grp., Prudential, Trade Indemnity, LEISURE (1) Chrysalis, MOTORS (1) Bostrom, PAPERS (2) Fitch-RS, Do. 8pc Cv. 2007, Wace, PROPERTY (3) SHIPPING (1) TEXTILES (2) [illegible]

NEW LOWS (47). [illegible] (1) Trafalgar Hsgs., STORES (2) Euro Home Prods., Specialeyes, ELECTRICALS (5) FOODS (2) INDUSTRIALS (8) Apollo Watch Prods., Dalaney, Hornby Grp., Kitty Little, Mayne Nickless, Reliance Sec. Grp., Select Appts., Wade Potts., Walker Greenbank, INSURANCE (1) MOTORS (1) Kwik-Fit, PAPERS (2) Saatchi, Do. 6.3pc Cv. Pf., PROPERTY (3) TRUSTS (8) OVERSEAS TRADERS (2) MINES (3).

**FINANCIAL TIMES STOCK INDICES**

| | Mar 22 | Mar 21 | Mar 20 | Mar 17 | Mar 16 | Year Ago | 1989 High | 1989 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 88.18 | 88.10 | 87.98 | 88.29 | 88.61 | 90.36 | 89.29 (9/2) | 86.65 (6/1) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 93.84 | 93.83 | 93.30 | 93.23 | 93.44 | 97.72 | 98.59 (13/3) | 93.93 (4/1) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary | 1690.5 | 1709.8 | 1690.9 | 1705.5 | 1740.1 | 1458.9 | 1781.1 (14/3) | 1447.8 (3/1) | 1926.2 (16/7/87) | 49.4 (26-6-40) |
| Gold Mines | 194.3 | 194.7 | 194.8 | 193.0 | 194.2 | 244.9 | 194.8 (20/3) | 154.7 (17/2) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| Ord. Div. Yield | 4.50 | 4.51 | 4.53 | 4.46 | 4.39 | 4.45 | | | | |
| Earning Yld %(full) | 11.04 | 10.91 | 11.02 | 10.86 | 10.68 | 11.32 | | | | |
| P/E Ratio(Net)(*) | 10.91 | 11.04 | 10.97 | 11.09 | 11.31 | 10.77 | | | | |
| SEAQ Bargains(5pm) | 29,491 | 29,803 | 28,118 | 29,913 | 30,634 | 30,848 | | | | |
| Equity Turnover(£m)† | - | 994.48 | 1053.38 | 1359.32 | 1458.59 | 1011.20 | | | | |
| Equity Bargains† | - | 34,440 | 33,780 | 33,125 | 38,484 | 38,239 | | | | |
| Shares Traded (mil)† | - | 400.9 | 459.7 | 499.7 | 544.0 | 443.7 | | | | |

Ordinary Share Index, Hourly changes

| Opening | 10 am | 11 am | Noon | 1 pm | 2 pm | 3 pm | 4 pm |
|---|---|---|---|---|---|---|---|
| 1710.2 | 1703.7 | 1695.2 | 1692.3 | 1692.7 | 1695.8 | 1693.2 | 1694.6 |

DAY'S HIGH 1710.4 DAY'S LOW 1689.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. †Nil 10.85 ‡Excluding intra-market business. * Corrected figure.

**S.E. ACTIVITY**

| Indices | Mar 21 | Mar 20 |
|---|---|---|
| Gilt Edged Bargains | 99.6 | 102.5 |
| Equity Bargains | 223.1 | 218.7 |
| Equity Value | 2018.1 | 2129.3 |
| 5-Day average | | |
| Gilt Edged Bargains | 105.8 | 104.1 |
| Equity Bargains | 225.2 | 231.8 |
| Equity Value | 2472.6 | 2587.9 |

● London Report and latest Share Index. Tel 0898 123001

**TRADING VOLUME IN MAJOR STOCKS**

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

| Stock | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |
| Beazer | 1,900 | 211 | -2 |
| Berisford | 854 | 57½ | -3 |
| Blue Arrow | 7,600 | 90 | -1½ |
| Blue Circle | 705 | 527 | -5 |
| Boots | 1,200 | 266 | -4 |
| British Airways | 3,600 | 192 | -2 |
| Brit. Aerospace | 920 | 561 | -5 |
| Brit & Comm | 1,100 | 204 | -2 |
| British Gas | 7,100 | 177½ | -3 |
| British Land | 479 | 350 | -1 |
| BP | 4,500 | 288 | -2 |
| British Steel | 6,400 | 83 | -½ |
| British Telecom | 1,300 | 271 | -4 |
| Burmah Oil | 1,300 | 564½ | +3½ |
| Burton | 553 | 221 | -1 |
| Cable & Wireless | 2,300 | 449 | -13 |
| Cadbury Schweppes | 1,900 | 346 | +1 |
| Coats Viyella | 2,300 | 136½ | -2½ |
| [illegible] | [illegible] | [illegible] | [illegible] |

## APPOINTMENTS

### Government actuary

■ Mr C.D. Daykin has been appointed GOVERNMENT ACTUARY. He succeeds Sir Edward Johnston who retires on April 14. Mr Daykin joined the department in 1970.

■ PAULS, Ipswich, a Harrisons & Crosfield subsidiary, has appointed Mr Alan K. Jones as managing director of the newly-formed food products division. He was managing director of Hunters Foods.

■ Mr E.C. Turk, head of industry affairs at United Dominions Trust, part of the TSB Group, has been appointed chairman of the NATIONAL HOME IMPROVEMENT COUNCIL.

■ Mr Chris Gurr has joined the board of SECURITY SYSTEMS COMMISSIONING. He was senior applications engineer at Del Norte Security Systems.

■ Mr Walter Waring, deputy chairman of Eastern Electricity, has been appointed managing director designate for when the board is privatised.

■ BILLINGSGATE CITY SECURITIES has appointed Mr Albert E. Frost as a preferred director. He was a non-executive director of Marks & Spencer, and chairman of Remploy, and until his retirement, finance director of ICI.

PORTSMOUTH BUILDING SOCIETY has appointed Mr Jeffrey Teague (above) as its first treasury manager. An American, he joins from Butterfields Savings and Loans, Los Angeles, where he was a vice president and treasurer.

■ Mr David Lyons and Mr John Manndrell have joined the board of GILBERT ELIOTT CORPORATE FINANCE, a division of Girozentrale Gilbert Eliott.

■ Mr Iorwerth Evans has been promoted to managing director of GENERAL TECHNOLOGY SYSTEMS, Uxbridge. Mr H.G.R. Robinson and Mr Stan Freckleton become directors of GTS (Netherlands), in The Hague, Holland, and Mr Stan Armstrong and Dr F.A. Green become directors of GTS (Scandinavia), in Oslo, Norway.

### Changes at Boustead

■ BOUSTEAD has appointed Mr Peter McLennan as a main board director; he is managing director of subsidiary Metal Supplies. Mr Martin Bell has been appointed managing director of King Trailers, and Mr Ian Dalziel becomes financial controller and company secretary. Mr John Philpot becomes financial controller of Boustead, transferring from Camotech.

■ Ms Maryrose Loxley and Mr Christopher Davey have been appointed directors of ALISON ASSOCIATES, Reading, which supplies financial data services.

■ Mr Bill Knox has been elected chairman of the NATIONAL FEDERATION OF SELF EMPLOYED AND SMALL BUSINESSES.

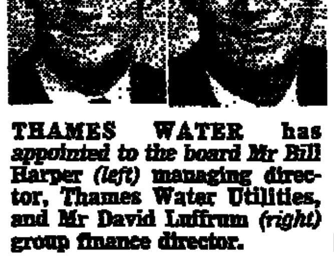
■ Mr Keith Clark Brown has been appointed to the board of BRITISH AEROSPACE as the non-executive Government director. He is a managing director of Morgan Stanley International, and a member of the board of London Regional Transport.

■ Mr Howard C. Marshall has been appointed group managing director of ASH & LACY. He takes over from Mr David Fletcher who remains chairman. Mr Marshall joins from Bullough where he was managing director of one of the operating divisions.

■ SCOTT PACKING & WAREHOUSING CO, a P&O company, has appointed Mr Moore Shanks as deputy managing director. He was operations director.

■ Mr Andy McQuin becomes managing director of OGILVY & MATHER SCOTLAND, Glasgow, in June. He was managing director of the group's Meridian agency

■ Mr N.J.H. Hall, finance director, becomes managing director of GEEVOR from April 1. Mr E. Grayson, previously chairman and chief executive, continues as executive chairman.



THAMES WATER has appointed to the board Mr Bill Harper (left) managing director, Thames Water Utilities, and Mr David Luffrum (right) group finance director.

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

## AUTHORISED UNIT TRUSTS

[illegible]

### GUIDE TO UNIT TRUST PRICING

[illegible]

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# FT UNIT TRUST INFORMATION SERVICE

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### Windsor Trust Mngrs Ltd (1200)F

83 Kingsway, London WC2B 6SD 01-405 8331

| | Init Chrge | Canc Price | Bid Price | Offer Price | + or − | Yield Grs |
|---|---|---|---|---|---|---|
| Capital & Equity | 5 | 61.73 | 66.02 | 70.24 | -0.42 | 5.71 |
| European | 5 | 59.06 | 59.42 | 63.43 | +0.18 | 0.29 |
| Far Eastern | 5 | 54.52 | 55.35 | 58.67 | -0.02 | 1.07 |
| Growth Inc | 5 | 89.59 | 92.95 | 98.88 | +0.25 | 1.50 |
| Growth Acc | 5 | 89.59 | 92.95 | 98.88 | +0.25 | 1.50 |
| Income Inc | 5 | 81.71 | 83.72 | 88.96 | -0.10 | 5.43 |
| Income Acc | 5 | 82.71 | 83.72 | 88.96 | -0.10 | 5.43 |
| Property Share | 5 | 75.69 | 75.69 | 79.34 | +0.20 | 3.16 |
| Supplier Co's | 5 | 61.27 | 64.39 | 68.50 | +0.33 | 1.46 |
| Formerly SBG Trust Managers Ltd | | | | | | |
| Nth American | 5 | 53.13 | 53.13 | 56.83 | | 1.82 |
| International | 5 | 42.85 | 42.85 | 45.82 | +0.06 | 1.57 |

### Wright Seligman Fund Mngrs Ltd (1000)H

11 Blomfield St, London EC2M 7AY 01-588 0592

| | | | | | | |
|---|---|---|---|---|---|---|
| Growth | 5 | 91.04 | 91.04 | 96.04 | | 3.92 |

Weekly dealing day Tuesday

### The Yorkshire Unit Tst Mngrs Ltd (1100)F

Woodsome Pk, Fenay Bdge, Huddersfield 0484 602259

| | | | | | | |
|---|---|---|---|---|---|---|
| Yorkshire General | 5 | 61.79 | 63.95 | 68.03 | +0.22 | 3.08 |
| YUTM UK Equity Inc Tr | 5 | 59.39 | 61.40 | 66.32 | +0.07 | 4.46 |
| YUTM Intl Grth Tst | 5 | 45.69 | 45.69 | 48.80 | -0.15 | 1.13 |

## OTHER UK UNIT TRUSTS

### Baillie Gifford & Co Ltd

### Cent. Bd. of Fin. of Church of England

2 Fore Street, London EC2Y 5AQ 01-588 1815

## INSURANCES

### Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

| | Bid Price | Offer Price | + or − | Yield Grs |
|---|---|---|---|---|
| Fixed Int. Dep. Acc | 256.5 | 270.0 | | |
| Equity Acc | 814.2 | 857.1 | -1.8 | |
| Property Acc | 483.4 | 508.9 | +0.2 | |
| Far East Acc | 191.7 | 201.8 | -0.7 | |
| European Acc | 20.2 | 21.3 | -0.1 | |
| Managed Acc | 644.4 | 678.6 | +1.2 | |
| Managed Cap | 367.0 | 386.4 | +0.7 | |
| O'seas Earnings Acc | 544.3 | 573.0 | -1.6 | |
| Gilt Edged Acc | 316.0 | 332.7 | +0.5 | |
| American Equity Acc | 401.3 | 422.5 | +1.1 | |
| American Man Acc | 187.5 | 197.4 | +0.5 | |
| American Prop Acc | 137.1 | 144.4 | +0.1 | |

### City of Edinburgh Life Assurance

### City of Westminster Assurance Co

PO Box 469, 500 Avebury Blvd, Milton Keynes

Continued on next page

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### Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Managed Fund | 291.0 | 306.4 | –6.4 | – |
| ManPens Inc & Cap Fds | 380.8 | 400.9 | –10.8 | – |
| Money Fund | 117.9 | 124.2 | +0.3 | – |
| Pens Mngd Fd (Init) | 100.6 | 105.9 | –3.0 | – |
| Pens Mngd Fd (Acc) | 120.3 | 126.7 | –3.3 | – |
| Pens FT30 Fd (Init) | 143.0 | 150.6 | –4.7 | – |
| Pens FT30 Fd (Acc) | 171.0 | 180.0 | –6.5 | – |
| Pens O'seas MgFd(Init) | 72.0 | 75.8 | –1.5 | – |
| Pens O'seas MgFd(Acc) | 86.1 | 90.7 | –1.7 | – |
| Pens Fxd Int Fd (Init) | 105.0 | 110.6 | –0.3 | – |
| Pens Fxd Int Fd (Acc) | 125.6 | 132.3 | –0.1 | – |
| Pens Deposit Fd (Init) | 103.9 | 109.4 | +0.2 | – |
| Pens Deposit Fd (Acc) | 124.2 | 130.8 | +0.3 | – |

### Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| American | 107.0 | 113.0 | –2.0 | – |
| Building Soc. Fd | 168.0 | 177.0 | – | – |
| Balanced | 274 | 289.0 | – | – |
| Deposit | 168.0 | 177.0 | – | – |
| European | 151.0 | 159.00 | – | – |
| GT Managed | 171.0 | 180.0 | –2.0 | – |
| Gartmore Mngd | 110.0 | 116.0 | – | – |
| German | 103.0 | 109.0 | –1.0 | – |
| Gilt | 177.0 | 187.0 | – | – |
| Global | 48.0 | 51.0 | – | – |
| High Inc. | 116.0 | 123.0 | – | – |
| International Equity | 178.0 | 188.0 | –1.0 | – |
| Japan | 228.0 | 240.0 | –3.0 | – |
| Managed | 62.0 | 66.0 | – | – |
| Property | 276.0 | 291.0 | – | – |
| R. W. Imperial Gold | 131.0 | 138.0 | – | – |
| UK Equity | 373.0 | 393.0 | – | – |
| **Pension Funds** | | | | |
| American | 136.0 | 144.0 | – | – |
| Building Soc. Fd | 166.0 | 175.0 | – | – |
| Balanced | 214.0 | 226.0 | – | – |
| Deposit | 159.0 | 168.0 | – | – |
| European | 154.0 | 163.0 | – | – |
| German | 96.0 | 102.0 | – | – |
| Gilt | 149.0 | 157.0 | – | – |

### Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Managed | 532.1 | 560.2 | –2.7 | – |
| Equity | 773.4 | 814.2 | –8.5 | – |
| Global Equity | 212.8 | 224.1 | –1.1 | – |
| Fixed Interest | 400.9 | 422.0 | +0.8 | – |
| Property | 378.0 | 397.9 | +0.0 | – |
| Cash | 152.1 | 160.2 | +0.0 | – |
| Index Linked Gilt | 196.0 | 206.4 | +0.2 | – |
| Guaranteed | 12.18 | – | – | – |
| International Money | 195.3 | 205.6 | +0.2 | – |
| North American | 58.2 | 61.3 | –0.3 | – |
| Japanese | 128.0 | 134.8 | –1.7 | – |
| European | 79.4 | 83.6 | –0.4 | – |
| Special Situations | 113.5 | 119.5 | –0.8 | – |
| Communications | 93.9 | 98.9 | –0.7 | – |
| Smaller Companies | 107.7 | 113.4 | –0.2 | – |
| International Small Cos | 115.0 | 121.1 | –0.4 | – |

### Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

| | Bid Price | Offer Price | + or – | Yield Gross |
|---|---|---|---|---|
| Discretionary Mar 16 | £149.60 | 154.80 | – | – |
| Equity Mar 16 | £166.36 | 172.32 | – | – |
| International Mar 16 | £23.55 | 24.50 | – | – |
| Intl Bond Mar 16 | £11.08 | 11.23 | – | – |
| Fixed Int Mar 16 | £71.79 | 72.75 | – | – |
| Index Linked Mar 16 | £60.82 | 61.59 | – | – |
| Property Mar 16 | £104.26 | 110.55 | – | – |
| Cash Mar 16 | £20.2759 | 20.2733 | – | – |
| **Pre-Linked Retirement Plan** | | | | |
| Managed Mar 22 | 365.0 | 380.3 | –7.6 | – |
| Cash Mar 22 | 191.1 | 199.1 | +0.3 | – |
| **Prudential Pensions Investment Account** | | | | |
| Pens Mngd Mar 22 | 149.6 | 157.5 | +0.3 | – |
| Pens UK Eq Mar 22 | 292.4 | 307.8 | +4.0 | – |
| Pens Intl Mar 22 | 167.7 | 176.6 | –2.0 | – |
| Pens Fixed Mar 22 | 164.8 | 173.5 | +0.1 | – |
| Pens Index Lk Mar 22 | 154.5 | 162.7 | +0.4 | – |
| Pens Cash Mar 22 | 124.9 | 131.5 | +0.3 | – |

[illegible]

## MANAGEMENT SERVICES

[illegible]

# OFFSHORE AND OVERSEAS

## GUERNSEY (SIB RECOGNISED)

[illegible]

## JERSEY (SIB RECOGNISED)

[illegible]

## IoM (SIB RECOGNISED)

[illegible]

## LUXEMBOURG (SIB RECOGNISED)

[illegible]

## SWITZERLAND (SIB RECOGNISED)

[illegible]

## BERMUDA AUTHORISED

[illegible]

## GUERNSEY (**)

[illegible]

## JERSEY (**)

[illegible]

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# FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

## BRITISH FUNDS—Contd

Index-Linked

## INT. BANK AND O'SEAS

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

## LOANS

Building Societies

Public Board and Ind.

## FOREIGN BONDS & RAILS

## AMERICANS

| 1989 High | Low | Stock | Price £ | + or − | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 30 | 26¼ | Abbott Laboratories | 30¾ | +¼ | $1.20 | − | 2.3 |
| 53 | 36 | Allegheny & W 1c | 47 | +5 | 30c | − | 3.7 |
| 15 | 12 | Amax $1 | 13 | −¼ | 40c | − | 1.7 |
| 11 | 976p | Amdahl 5c | 996p | +20 | 10c | − | 0.6 |
| 31 | 25 | Amer. Cyanamid $5 | 29¼ | +¼ | $1.20 | − | 2.4 |
| 18¼ | 14 | Amer. Express 60c | 17¼ | | 84c | − | 2.8 |
| 10 | 554p | Amer. Medical Int. $1 | 10¼ | +¼ | 472c | − | 4.1 |
| 20 | 15¼ | American T & T. $1 | 18¼ | −¼ | $1.20 | − | 3.8 |
| 30 | 26 | Ameritech $1 | 30 | +¼ | $2.92 | − | 5.7 |
| 13 | 9¼ | BankAmerica $1.5 | 13 | +¼ | 60c | − | 2.7 |
| 23 | 19¼ | Bankers N Y $1 | 23¼ | +¼ | $2.08 | − | 5.1 |
| 44 | 38¼ | Bell Atlantic $1 | 43¼ | +¼ | $4.08 | − | 5.5 |
| 24¼ | 19¼ | Bell South Corp | 23¼ | +¼ | $2.36 | − | 5.8 |
| 15 | 12 | Bethlehem Steel $8 | 13¼ | −¼ | − | − | − |
| 10¼ | 929p | Bio-Rad Labs. A | 10¼ | | − | − | − |
| 17 | 15¼ | Bowater Inc | 16 | +¼ | $1.12 | − | 4.1 |
| 11¼ | 9¼ | Brunswick 75c | 10¼ | +¼ | 44c | − | 2.5 |
| 31 | 28¼ | CPC Intnl. 25c | 29¼ | | $1.60 | − | 3.1 |
| 19¼ | 17¼ | CSX $1 | 18¼ | +¼ | $1.24 | − | 4.0 |
| 785p | 533p | California Engy | 535p | | − | − | − |
| 19¼ | 17¼ | Campbell Soup 15c | 18¼ | +¼ | 92c | − | 2.9 |
| 20¼ | 15 | Chase Manhattan $12½ | 20 | +¼ | $2.36 | − | 6.8 |
| 19¼ | 17 | Chem. Banking Corpn | 19¼ | | $2.72 | − | 8.3 |
| 16¼ | 14 | Chrysler $6¼ | 14 | +¼ | $1.20 | − | 4.8 |
| 16¼ | 14 | Citicorp $1 | 16¼ | +¼ | $1.48 | − | 5.2 |
| 230p | 169p | CityFed Fin. Corp | 174p | −1 | 4c | − | 1.3 |
| 27¼ | 25¼ | Colgate-Palmolive $1 | 27 | | $1.48 | − | 3.2 |
| 21¼ | 17¼ | Cons Freightways 62½c | 17¼ | | 98c | − | 3.3 |
| 11 | 10¼ | Cont. Bank Corp $4 | 11¼ | | 8c | − | 0.4 |
| 365p | 326p | Corporate Data Sciences | 326p | | − | − | − |
| 304p | 275p | Cornet Silver 1c | 290p | +6 | − | − | − |
| 22 | 21 | Dana Corp. $1 | 22¼ | −¼ | $1.60 | − | 4.2 |
| 10 | 918p | Data General | 923p | +5 | − | − | − |
| 32¼ | 28¼ | Dun & Bradstreet $1 | 29¼ | +¼ | $1.74 | − | 3.5 |
| 34 | 30¼ | Eaton Corpn. 50c | 33 | −¼ | $2.00 | − | 3.5 |
| 10 | 8¼ | Exxon Inc | 9¼ | | 70c | − | 4.3 |
| 18 | 16 | FPL Group 1c | 17 | −¼ | $2.20 | − | 7.6 |
| 32¼ | 27 | Ford Motor $2 | 28¼ | −¼ | $3.00 | − | 6.2 |
| 33¼ | 31 | GATX 62½c | 31¼ | +¼ | $2.00 | − | 3.7 |
| 27¼ | 24¼ | Gen. Elect. 6¼c | 26¼ | +¼ | $1.64 | − | 3.7 |
| 567p | 456p | General Host Corp $1 | 505p | | 36c | − | 3.5 |

Continued on next page

## Money Market Trust Funds

## Money Market Bank Accounts

UNIT TRUST NOTES

# LONDON SHARE SERVICE

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## CANADIANS

| 1989 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 157p | 130p | ABM Gold Corp ‖ | 140p | ..... | | – | – |
| 17p | 4½p | Abbot Energy Corp | 17p | ..... | | – | – |
| 13¼ | 902p | Amer. Barrick Res | 12¾ | –⅛ | | – | – |
| 3¼p | 2⅞p | Amer. Lightwave ‖ | 2½p | ..... | | – | – |
| 19¾p | 12¼p | Armeno | 17p | ..... | | – | – |
| 109p | 94p | Asiamerica ‖ | 108p | ..... | | – | – |
| 33½p | 23p | Augmitto Expln | 26½p | +1 | | – | – |
| 14⅝ | 12⅞ | Bk. Montreal ‖ | 13⅝ | ..... | $2.12 | – | 7.5 |
| 762p | 655p | Bk. Nova Scot. ‖ | 696p | +7 | 84c | – | 5.8 |
| 18¾ | 17 | BCE ‖ | 18⅛ | +⅛ | $2.44 | – | 6.5 |
| 761p | 570p | Bow Valley ‖ | 745p | +7 | $40c | – | 2.6 |
| 14¼ | 12⅛ | Brascan ‖ | 13¼ | +⅛ | 88c | – | 3.2 |
| 228p | 184p | Breakwater Res | 195p | –8 | 10c | – | 2.5 |
| 13⅞ | 11⅞ | Can. Imp Bank ‖ | 12⅝ | –⅛ | $1.16 | – | 4.4 |
| 12¾ | 997p | Can. Pacific ‖ | 11 | +⅛ | 76c | – | 3.3 |
| 38½ | 38½ | Do. 4pc Deb £100 | 38½ | ..... | 4% | – | 10.4 |
| 444p | 374p | Central Capital "A" ‖ | 422p | –5 | | – | – |
| 448p | 340p | Corona Corp | 434p | +7 | | – | – |
| 373p | 228p | Cons TVX Min | 373p | +19 | | – | – |
| 48½p | 19½p | Danbus Mem. Syst. ‖ | 19½p | –1 | | – | – |
| 633p | 524p | Dertan Inds. ‖ | 611p | ..... | 11.75c | – | 0.9 |
| 953p | 751p | Echo Bay Mines | 947p | –6 | $0.07 | – | 0.4 |
| 572p | 370p | ECO Corp ‖ | 422p | –12 | | – | – |
| 16¼p | 9½p | Energex Minerals ‖ | 12¼p | –3⅞ | | – | – |
| 234p | 203p | Galactic Resources | 222p | ..... | | – | – |
| 330p | 259p | Gandalf Techs. Inc | 259p | ..... | | – | – |
| 54½p | 34p | Geodome Res | 34½p | –2½ | | – | – |
| 183p | 150p | Granges Expln ‖ | 161p | –5 | | – | – |
| 27⅞p | 6p | Gt Pacific Res | 23p | ..... | | – | – |
| 779p | 651p | Gulf Canada ‖ | 733p | –5 | 52c | – | 3.4 |
| 12⅛ | 10¼ | Hawker Sid Can ‖ | 11¼ | ..... | $1.08 | – | 4.4 |
| 536p | 348p | Henlys Group | 489p | ..... | | – | – |
| 12¾ | 11½ | Hudson's Bay ‖ | 12¼ | ..... | 60c | – | 2.3 |
| 28¼ | 23 | Imperial Oil ‖ | 26⅜ | –⅛ | $1.80 | – | 3.2 |
| 18⅞ | 14¼ | Inco ‖ | 17½ | +⅛ | s$0.80 | – | 2.7 |
| 657p | 599p | Inland Nat. Gas $1 | 635p | +6 | 60c | – | 4.5 |
| 150½p | 102p | Madeleine Mines | 138p | +4 | | – | – |
| 193p | 163p | Muscocho Expln | 188p | –5 | | – | – |
| 126p | 85½p | Nevada Goldfields | 115p | –5 | | – | – |
| 12⅜ | 10⅞ | Rio Algom | 11⅝ | ..... | $1.30 | – | 5.4 |
| 19⅝ | 17¼ | Royal Bk. Can. ‖ | 19 | –⅛ | $2.20 | – | 5.6 |
| 40⅞ | 33⅛ | Seagram ‖ | 39⅞ | +⅛ | US$1.40 | – | 2.1 |
| 112p | 74½p | Sonera Gold Corp ‖ | 107p | –3 | | – | – |
| 85p | 33p | Spiral Eng ‖ | 73¼p | –½ | | – | – |
| 109p | 73p | Tara Pure Tech. Corp ‖ | 78p | –5 | | – | – |
| 19½ | 16¼ | Toronto-Dom. Bk. ‖ | 18⅝xd | ..... | $1.12 | – | 2.9 |
| 770p | 686p | Trans Can Pipe | 778p | +20 | 68c | – | 4.2 |
| 183p | 154p | Varity Corp ‖ | 161p | –5 | B– | – | – |

## BANKS, HP & LEASING

### Hire Purchase, Leasing, etc.

## BEERS, WINES & SPIRITS

## BUILDING, TIMBER, ROADS

## BUILDING, TIMBER, ROADS – Contd

| 1989 High | Low | Stock | Price | + or – | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| £143 | £129 | Lafarge Cop. F100 | £135½ | +½ | Q25% | 5.3 | 1.7 | 10.9 |
| 370 | 275 | Laing (John) | 359 | +3 | 17.0 | 6.0 | 2.6 | 8.5 |
| 400 | 285 | Latham (J.) £1 | 395 | ..... | 19.5 | 4.1 | 3.2 | 10.1 |
| 157 | 121 | Lawrence (W.) | 150 | –1 | 14.75 | 3.3 | 4.2 | 9.4 |
| 160 | 127 | Do 8.5pc CnvRdPf £1 | 152½ | ..... | 8½% | – | 7.4 | – |
| 67 | 48½ | Lilley (F.J.C.) 12½p | 65½ | ..... | a1.64 | ♦ | 3.4 | ♦ |
| 103 | 97 | Lon. & Clydeside | 100 | ..... | 5.7 | 1.9 | 7.6 | 9.3 |
| 275 | 214 | Lovell (Y. J.) | 272 | ..... | 6.65 | 3.9 | 3.3 | 10.4 |
| 366 | 297 | McAlpine (Alfred) | 340xd | ..... | 16.1 | 2.1 | 6.2 | 10.2 |
| 407 | 334 | McCarthy & Stone 20p | 385 | +1 | 5.14 | 8.5 | 1.8 | 8.8 |
| 328 | 323 | McLaughlin & H. | 325 | ..... | 18.0 | 2.6 | 3.3 | 15.5 |
| 313 | 178 | Magnet | 283 | –6 | 16.9 | 2.7 | 3.3 | 14.9 |
| 89 | 68 | Do. 5¾pc Pf 2012 | 86 | ..... | 5.63 | – | 8.7 | – |
| 240 | 194 | Manders (Hldg) | 240 | +2 | 6.35 | ♦ | 3.7 | ♦ |
| 192 | 141 | Marley | 183 | –1 | 15.0 | 2.9 | 3.6 | 11.5 |
| 274 | 228 | Marshalls | 269 | ..... | †7.25 | 3.5 | 3.6 | 10.4 |
| 112 | 97 | Do. 6½p Cr Cm Red Pf | 111 | ..... | 6.5 | – | 7.8 | – |
| 124 | 101 | Maunders (J.) 20p | 117 | –2 | †3.15 | 3.8 | 3.7 | 9.5 |
| 473 | 344 | Meyer Int | 453 | –6 | 9.5 | 5.3 | 2.8 | 9.0 |
| 253 | 151 | Miller (Stan) 10p | 245 | ..... | †1.25 | 0.7 | 0.7 | – |
| 458 | 344 | Mowlem (J) | 445 | –2 | †17.25 | 2.2 | 5.2 | 11.7 |
| 91 | 69 | NSM 10p | 89 | ..... | F3.0 | – | 4.5 | – |
| 85 | 78 | Needler Group ‖ | 78 | –3 | u09.8 | 2.1 | 6.0 | 8.5 |
| 1950 | 1856 | Newarthill £1 | 1950 | +25 | s14.0 | 3.2 | 0.9 | 44.1 |
| 210 | 160 | Newman-Tonks | 210 | ..... | 8.5 | 1.9 | 5.4 | 13.3 |
| *197 | 139 | Persimmon 10p | 185xd | –1 | 5.0 | 5.0 | 3.6 | 7.0 |
| 91 | 80 | Phoenix Timber | 90 | ..... | †2.5 | 3.3 | 3.7 | 8.9 |
| 1450 | 1025 | Pochins | 1400 | –25 | 19.0 | 8.4 | 1.8 | 8.8 |
| 154 | 113 | Polypipe 10p | 146xd | –2 | †2.1 | 3.6 | 1.9 | 18.5 |
| 171 | 140 | Prowting 20p | 162 | –2 | W4.25 | 3.5 | 3.5 | 11.0 |
| 684 | 503 | RMC | 635 | –4 | †11.0 | 4.4 | 2.3 | 12.5 |
| 111 | 82 | Raine Inds. 10p | 104½ | –½ | †3.0 | 2.5 | 3.9 | 11.9 |
| 180 | 140 | Ramus | 180 | ..... | †7.0 | 2.7 | 5.3 | 9.5 |
| *546 | 415 | Redland | 514 | –2 | †15.85 | 2.6 | 4.1 | 10.9 |
| £106 | £89 | Redland Cap 7¼pc Cv '02 | £102½ | +½ | Q7¼% | – | 7.1 | – |
| 126 | 104 | Roskel 10p | 124 | ..... | u2.7 | 3.1 | 2.9 | 12.9 |
| 193 | 134 | Rugby Group | 183 | ..... | 5.2 | 3.1 | 3.8 | 11.2 |
| *405 | 323 | Rush & Tompkins | 399 | +2 | †12.55 | 1.9 | 4.2 | 12.4 |
| 40 | 31 | SWP Group 5p | 38 | ..... | R0.5 | 2.3 | 1.8 | 24.8 |
| 132 | 118 | Sandell Group 10p | 132 | ..... | L4.4 | 1.8 | 4.4 | 13.0 |
| 119 | 86 | [illegible] 10p | 119 | +1 | s2.75 | 2.3 | 3.1 | 16.9 |
| 195 | 167 | Sharpe & Fisher | 188 | –5 | s4.0 | ♦ | 2.8 | ♦ |
| 158 | 143 | Sheriff Hldgs. 5p | 158 | ..... | L5.25 | 2.4 | 4.4 | 12.7 |
| 225 | 144 | Sharco Grp | 225 | +5 | 4.5 | ♦ | 2.7 | ♦ |
| 263 | 213 | Sledall (Wm) 5p | 263 | ..... | 13.1 | 3.8 | 1.6 | 20.9 |

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## ELECTRICALS

## ENGINEERING

## ENGINEERING – Contd

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## INDUSTRIALS (Miscel.)

## INDUSTRIALS (Miscel.) – Contd

## INSURANCES

## LEISURE

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## LEISURE—Contd

## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PROPERTY

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TEXTILES—Contd

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## TRUSTS, FINANCE, LAND—Contd

### Finance, Land, etc

## OIL AND GAS

## OIL AND GAS—Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

## MINES—Contd

### Tins

### Miscellaneous

## THIRD MARKET

### NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p.... ♥ | 90 | -1 |
| Craig & Rose £1.. ♥ | 720 | ..... |
| Finlay Pkg. 5p.... ♥ | 93 | ..... |
| Holt (Jos) 25p.... ♥ | 1265 | -5 |
| Arnotts | 400 | ..... |
| Carrol (P J ) ..... ♥ | 148 | ..... |
| Hall (R. & H.) | 145 | ..... |
| Helton Hldgs. ♥ | 70 | ..... |
| Irish Ropes | 160 | ..... |

### IRISH

| | | |
|---|---|---|
| Cap. 8½% Ln. 1991.. | £100⅞ | ..... |
| 9pc Cap Ln. 1996.. | £101 | ..... |
| Fin. 13% 97/02.. | £120½ | ..... |

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

| | p |
|---|---|
| Allied-Lyons | 40 |
| Amstrad | 18 |
| BAT | 40 |
| BOC Grp | 36 |
| BSR | 7½ |
| BTR | 26 |
| Barclays | 34 |
| Beecham | 48 |
| Blue Circle | 39 |
| Boots | 28 |
| Bowaters | 38 |
| Brit Aerospace | 42 |
| Brit. Telecom | 21 |
| Burton Ord | 18 |
| Cadburys | 31 |
| Charter Cons | 45 |
| Comm Union | 28 |
| Courtaulds | 26 |
| FKI Babcock | 13 |
| FNFC | 21 |
| Gen Accident | 71 |
| GEC | 15 |
| Glaxo | 90 |
| Grand Met | 38 |
| GUS 'A' | 90 |
| Guardian | 16 |
| GKN | 28 |
| Hanson | 12 |
| Hawker Sidd | 48 |
| ICI | 85 |
| Jaguar | 22 |
| Ladbroke | 38 |
| Legal & Gen | 26 |
| Lex Service | 34 |
| Lloyds Bank | 29 |
| Lucas Inds | 48 |
| Marks & Spencer | 15 |
| Midland Bk | 35 |
| Morgan Grenfell | 28 |
| NEI | 12 |
| Nat West Bk | 45 |
| P & O Dfd | 48 |
| Plessey | 15 |
| Polly Peck | 28 |
| Racal Elect | 25 |
| RHM | 32 |
| Rank Org Ord | 63 |
| Reed Intnl | 58 |
| STC | 24 |
| Sears | 13 |
| TI | 32 |
| TSB | 9 |
| Tesco | 12 |
| Thorn EMI | 55 |
| Trust Houses | 24 |
| T&N | 14 |
| Unilever | 42 |
| Vickers | 15 |
| Wellcome | 42 |

### Property

| | |
|---|---|
| Brit Land | 30 |
| Land Securities | 52 |
| MEPC | 50 |

### Oils

| | |
|---|---|
| Brit Petroleum | 21 |
| Do. (P.Paid) | 12 |
| Burmah Oil | 48 |
| Calor | 35 |
| Charterhall | 2½ |
| Premier | 9 |
| Shell | 85 |
| Ultramar | 21 |

### Mines

| | |
|---|---|
| Cons Gold | 100 |
| Lonrho | 32 |
| RTZ | 46 |

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# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Slower US growth hits dollar

A SECOND consecutive fall in monthly US durable goods orders pushed the dollar below DM1.8700 on the foreign exchanges yesterday.

Figures for durable goods orders tend to be erratic, but the fall of 3.6 per cent in February was a surprise to the market, and following a large decline of 2.9 per cent in January was taken as a sign that US economic growth is slowing.

A recent survey by Knight-Ridder pointed to a rise of 0.8 per cent in the February figure and a survey by Money Market Services suggested a gain of 1.0 per cent. The durable goods report was, therefore, considerably weaker than expected and, according to dealers, confirms an economic slowdown, following declines in retail sales, housing starts and car sales.

On the other hand the sharp rise of 1.0 per cent in February US producer prices, announced last Friday, has not yet fed through to the Consumer Prices Index. Tuesday's CPI gain of 0.4 per cent was lower than expected, but inflationary pressure is expected to remain strong.

The overall picture is a rather confusing mixture of rising raw material costs - oil prices touched $20 a barrel this week - coupled with signs of slower economic growth. The main question to be answered is whether the Federal Reserve will be forced to tighten its monetary stance? Yesterday's view in the market was that the durable goods figure had given the Fed a breathing space.

This was reflected in a weaker dollar. It fell to DM1.8690 from DM1.8725; to Y131.10 from Y131.20; and to FFr6.3350 from FFr6.3425, but rose to SFr1.6225 from SFr1.6220 against a depressed Swiss franc. On Bank of England figures the dollar's index rose to 68.0 from 67.9.

The Swiss franc has weakened on the widening of interest rate differentials against Zurich. The recent comment by Mr Markus Lusser, president of the Swiss National Bank, that there is no need for tighter monetary policy has pushed the franc to a six year low against the D-Mark of DM1.1520, compared with DM1.1815 at the beginning of the year.

Another European currency coming under pressure from low interest rates is the Danish krone.

*Sterling* improved against a weaker dollar, but was generally little changed. The pound's exchange rate index closed unchanged at 96.6.

An easing of London interest rates followed the trend in international rates and was a result of fading fears about higher US rates. There was therefore little impact on sterling. The pound also showed no reaction to firm oil prices, and stayed on the sidelines in quiet trading.

Sterling rose 15 points to $1.7225, and improved to SFr2.7950 from SFr2.7925, but was unchanged at Y225.75 and fell to DM3.2200 from DM3.2225 and to FFr10.9125 from FFr10.9150.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Mar.22 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 42.4582 | 43.6439 | +2.79 | +0.86 | ±1.5344 |
| Danish Krone | 7.85212 | 8.12841 | +3.52 | +1.59 | ±1.5404 |
| German D-Mark | 2.05853 | 2.08335 | +1.21 | -0.72 | ±1.0981 |
| French Franc | 6.90403 | 7.05639 | +2.21 | +0.28 | ±1.3674 |
| Dutch Guilder | 2.31943 | 2.35046 | +1.34 | -0.59 | ±1.5012 |
| Irish Punt | 0.768411 | 0.779518 | +1.45 | -0.48 | ±1.6684 |
| Italian Lira | 1483.58 | 1528.72 | +3.04 | +1.86 | ±4.0752 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### POUND SPOT- FORWARD AGAINST THE POUND

| Mar.22 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.7180 - 1.7255 | 1.7220 - 1.7230 | 0.39-0.36cpm | 2.61 | 0.99-0.94pm | 2.24 |
| Canada | 2.0445 - 2.0530 | 2.0505 - 2.0515 | 0.25-0.13cpm | 1.11 | 0.33-0.15pm | 0.47 |
| Netherlands | 3.62¼ - 3.64¼ | 3.62¾ - 3.63¾ | 2-1¾cpm | 6.19 | 5¾-4¾pm | 5.23 |
| Belgium | 67.30 - 67.75 | 67.40 - 67.50 | 23-13cpm | 3.20 | 81-71pm | 4.51 |
| Denmark | 12.55½ - 12.58¾ | 12.55¾ - 12.56¾ | 5½-4½orepm | 4.72 | 14¾-13¾pm | 4.36 |
| Ireland | 1.2025 - 1.2085 | 1.2045 - 1.2055 | 0.55-0.50ppm | 5.23 | 1.45-1.35pm | 4.65 |

### £ IN NEW YORK

### STERLING INDEX

### CURRENCY RATES

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

### CURRENCY MOVEMENTS

### EURO-CURRENCY INTEREST RATES

### OTHER CURRENCIES

| | £ | $ |
|---|---|---|
| Singapore | 3.3405 - 3.3485 | 1.9390 - 1.9410 |
| S. Af (Cm) | 4.3880 - 4.3995 | 2.5510 - 2.5540 |
| S. Af (Fn) | 7.0305 - 7.1770 | 4.0815 - 4.1665 |
| Taiwan | 47.30 - 47.55 | 27.45 - 27.55 |
| U.A.E. | 6.3275 - 6.3335 | 3.6725 - 3.6735 |

*Selling rate

### EXCHANGE CROSS RATES

| | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| C $ | 0.488 | 0.840 | 1.570 | 110.1 | 5.319 | 1.363 | 1.771 | 1154 | 1 | 32.89 |
| B Fr. | 1.483 | 2.554 | 4.774 | 334.8 | 16.17 | 4.144 | 5.386 | 3509 | 3.041 | 100. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES

# Further rise for short sterling

SHORT STERLING futures rose quite sharply in Liffe trading yesterday. The June contract finished at 87.29 up from 87.12 on Wednesday and considerably better than the underlying cash price.

There was no immediate reason behind the firmer tone although traders conceded that US producer prices in February rising less than expected, and a fall in US durable goods orders for the same month, took some of the steam out of recent upward pressure on rates.

Despite the rise in prices, some traders remain cautious. Durable goods orders still show an 8 per cent year-on-year rise, and the increase in unfilled orders suggests some degree of capacity constraint.

Long gilt futures failed to share the same measure of enthusiasm, finishing at 97-27 for June delivery, unchanged from the opening and only marginally up from the close on Tuesday of 97-25.

US bond futures were firmer in quiet trading ahead of the long Easter break. A softer tone to US interest rates saw the June bond price rise to 87-02 from 86-17 on Tuesday.

### LIFFE LONG GILT FUTURES OPTIONS

### LIFFE US TREASURY BOND FUTURES OPTIONS

### LIFFE FT-SE INDEX FUTURES OPTIONS

### LIFFE £/$ OPTIONS

### LIFFE EURODOLLAR OPTIONS

### LIFFE SHORT STERLING

### PHILADELPHIA SE £/$ OPTIONS

### LONDON SE £/$ OPTIONS

### LONDON (LIFFE)

### CHICAGO

### BASE LENDING RATES

## MONEY MARKETS

# UK rates lower

UK INTEREST rates were slightly lower yesterday as investors adopted a more relaxed tone ahead of the Easter break. Interbank rates opened on a softer note, encouraged by the smaller than expected rise in US consumer prices in February announced on Tuesday.

Sterling remained steady and traders suggested that the recent build up of pressure on interest rates in the US, West Germany and the UK has partly subsided, at least for the time being.

The key three-month interbank rate slipped to 12$\frac{13}{16}$-12$\frac{11}{16}$ per cent, equal to its lowest level this year, and down from *13$\frac{1}{16}$-12$\frac{15}{16}$* per cent on *Tuesday*. The one year rate fell to 12$\frac{13}{16}$-12$\frac{11}{16}$ per cent from 13$\frac{1}{16}$-12$\frac{15}{16}$ per cent.

**UK clearing bank base lending rate 13 per cent from November 25**

While the return to a reverse yield curve is generally regarded as an encouraging step towards creating the framework for lower base rates, there are several more economic hurdles to be overcome before establishing a true bull trend.

The Bank of England forecast a shortage of around £400m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £211m. There was also a rise in the note circulation of £220m, and banks brought forward balances £20m below target. These were partly offset by Exchequer transactions which added £60m.

*The forecast* was revised to a shortage of around £300m, and the Bank gave assistance in the morning through outright purchases of £269m of eligible bank bills in band 1 at 12⅞ per cent. A further revision took the forecast to a shortage of around £350m, and the Bank gave additional help in the afternoon of £50m through eligible bill purchases in band 1 at 12⅞ per cent.

In Frankfurt, the Bundesbank allocated DM6bn at its latest sale and repurchase tender. The 5.8 per cent 35-day fixed rate facility attracted bids of DM58.8bn. Successful *applicants received their allo*cations yesterday afternoon, mainly offsetting a maturing facility of DM6.2bn.

Short-term interest rates were lower, reflecting technical adjustments to banks' reserve holdings with the Bundesbank. Average holdings in the first 20 days of March were DM60.1bn compared with an expected requirement of around DM56.5bn. Commercial banks were thus keen to draw funds away from the non-interest bearing account with the Bundesbank and push money into the money market.

The subsequent increase in liquidity drove call money down to 5.65-5.75 per cent from 5.80-5.90 per cent on Tuesday.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Mar.22) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 10⅝ | offer 10¾ | bid [illegible] | offer [illegible] |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** (Lunchtime)

| | |
|---|---|
| Prime rate | 11½ |
| Broker loan rate | 10¾-½ |
| Fed.funds | 9⅞ |
| Fed.funds at intervention | - |

Treasury Bills and Bonds

| Mar.22 | Overnight | One Month | Two Months |
|---|---|---|---|
| Frankfurt | 5.65-5.75 | 6.20-6.30 | 6.25-6.35 |
| Paris | 8⅞-8⅞ | 8½-8¾ | 8⅝-8⅞ |
| Zurich | 4½-4⅞ | 5½-5⅞ | - |
| Amsterdam | 4.25-5.50 | 6.52-6.62 | - |
| Tokyo | 4⅛-4⅜ | 4⅞-4⅞ | - |
| Milan | 12½-13⅛ | 12⅞-13 | - |
| Brussels | 7.00 | 8-8¼ | - |
| Dublin | 7¼-7⅝ | 7¾-8 | 7⅞-8¼ |

### LONDON MONEY RATES

| Mar.22 | Overnight | 7 days notice | One Month |
|---|---|---|---|
| Interbank Offer | 13 | 13 | 13 |
| Interbank Bid | 11¾ | 12¾ | 12$\frac{13}{16}$ |
| Sterling CDs | - | - | 12$\frac{13}{16}$ |
| Local Authority Deps. | 12⅞ | 12⅞ | 12⅞ |
| Local Authority Bonds | - | - | - |
| Discount Mkt Deps. | 13 | 12$\frac{13}{16}$ | 12⅞ |
| Company Deposits | - | - | 13 |
| Finance House Deposits | - | - | 12⅞ |
| Treasury Bills (Buy) | - | - | 12$\frac{13}{16}$ |
| Bank Bills (Buy) | - | - | 12⅞ |
| Fine Trade Bills (Buy) | - | - | 13¼ |
| Dollar CDs | - | - | 10.15 |
| SDR Linked Dep Offer | - | - | 8⅞ |
| SDR Linked Dep Bid | - | - | 8⅞ |
| ECU Linked Dep Offer | - | - | 8⅞ |
| ECU Linked Dep Bid | - | - | 8⅞ |

Treasury Bills (sell); one-month 12$\frac{11}{16}$ per cent; three months 12$\frac{11}{16}$ per cent; Bank Bills (sell); one-month 12⅞ per cent; three months 12½ per cent; Treasury Bills: Average tender rate of discount 12.4000 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28, 1989. Agreed rates for period March 26, 1989 to April 25, 1989, Scheme I; 13.90 p.c., Schemes II & III: 14.29 p.c. Reference rate for period February 1 to February 28, 1989, Scheme IV & V: 13.041 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from March 1, 1989: Bank Deposit Rates for sums at seven days' notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9¼ per cent from December 1, 1988, Deposits withdrawn for cash 5 per cent.

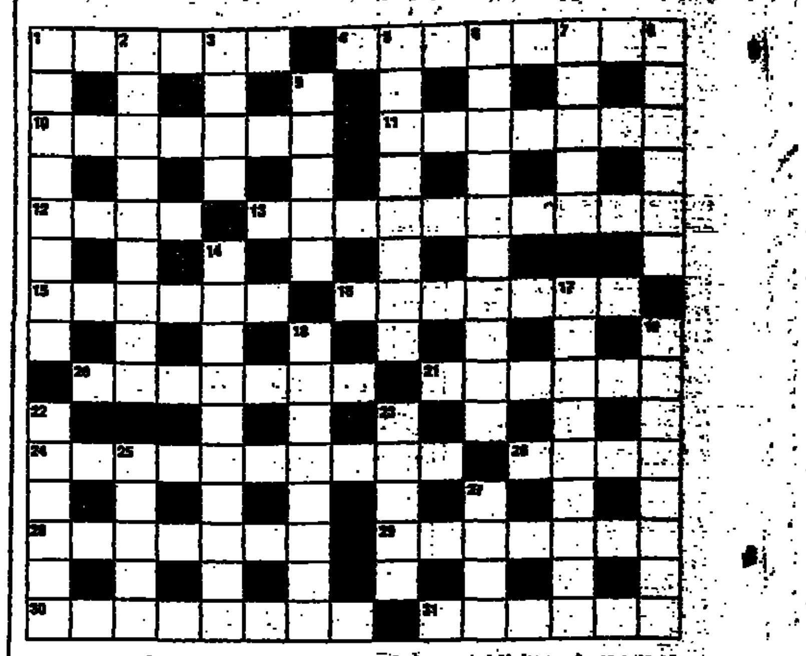
### EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 45,634

A=Ask B=Bid C=Call P=Put

# CROSSWORD

No.6,892 Set by GRIFFIN



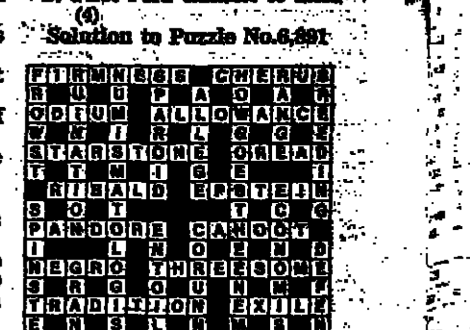
**ACROSS**

1 Fifty years working with hens (6)
4 Counters strain in a military building (8)
10 A burst ulcer, admits Doctor Sweet (7)
11 Pause from exertion is brief, especially during ceremony (7)
12 Near hydrant, drink is rejected (4)
13 Sportsman ought to go in for ballet, perhaps (10)
15 With note, pays back judge (6)
16 Container for ashes put back outside daily (7)
20 Are removing article in scrap cargo (7)
21 Inserting pole awkwardly again causes chest pain (6)
24 See pa going mad about training shoe (10)
26 Betray mum and ring head of police (4)
28 Bury motorway turning is provisional (7)
29 Union leader in action put out a warning (7)
30 Sent round a model, free, if urgent (8)
31 Urge rest to go outside when asked for charity (6)

**DOWN**

1 Silence awful oriental man with permit (8)
2 Youth made sentry go to pieces outside university (9)
3 Redhead with decoration on dressing gown (4)
5 Publicises excursion to runway (8)
6 An establishment you may well scoff at! (10)
7 Companion sick with feverish cold (5)
8 Drink the girl's, sorry or not about it (6)
9 One's standing right behind a Spanish gentleman (5)
14 Puzzled, seeing sweetheart with film director in bed (10)
17 Landing window Gina opens on the outside (9)
18 President to honour aviator (8)
19 Came about putting Pat's initial in a pen he'd designed (8)
22 Slack girl is following soldiers (6)
23 Angry side accepts novice (5)
25 Lawrence comes in to knock up father (5)
27 First Ford exhaust to melt (4)

Solution to Puzzle No.6,891




JOTTER PAD

# WORLD STOCK MARKETS

## AUSTRIA

[illegible]

## BELGIUM/LUXEMBOURG

[illegible]

## DENMARK

[illegible]

## FINLAND

[illegible]

## FRANCE

[illegible]

## FRANCE (continued)

[illegible]

## GERMANY

[illegible]

## GERMANY (continued)

[illegible]

## ITALY

[illegible]

## ITALY (continued)

[illegible]

## NETHERLANDS

[illegible]

## NORWAY

[illegible]

## SPAIN

[illegible]

## SWEDEN

[illegible]

## SWITZERLAND

[illegible]

## SOUTH AFRICA

[illegible]

## JAPAN

[illegible]

## AUSTRALIA

[illegible]

## AUSTRALIA (continued)

[illegible]

## HONG KONG

[illegible]

## SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

## CANADA

TORONTO
2pm prices March 22

[illegible]

## INDICES

### NEW YORK DOW JONES

| | Mar 22 | Mar 21 | Mar 20 | Mar 17 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2263.21 | 2266.25 | 2262.50 | 2292.14 | 2347.14 (7/2) | 2144.64 (3/1) | 2722.42 (25/8/87) | 41.22 (2/7/32) |
| Home Bonds | 87.42 | 87.49 | 87.67 | 87.84 | 89.62 (8/2) | 87.42 (22/3) | - | - |
| Transport | 1024.74 | 1034.12 | 1026.20 | 1039.13 | 1087.97 (7/2) | 959.95 (3/1) | 1101.16 (14/8/87) | 12.32 (8/7/32) |
| Utilities | 182.37 | 182.31 | 182.08 | 182.02 | 191.15 (24/1) | 181.84 (24/2) | 227.83 (22/1/87) | 10.50 (8/4/32) |

♦Day's High 2276.61 (2284.82) Low 2247.14 (2259.64)

| STANDARD AND POOR'S | Mar 22 | Mar 21 | Mar 20 | Mar 17 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| Composite‡ | 298.49 | 291.33 | 289.92 | 292.70 | 299.63 (7/2) | 275.31 (3/1) | 336.77 (25/8/87) | 4.40 (1/6/32) |
| Industrial (latest) | 334.58 | 335.85 | 334.17 | 337.78 | 346.41 (7/2) | 318.66 (3/1) | 393.17 (25/8/87) | 3.62 (21/6/32) |
| Financial | 27.07 | 27.14 | 27.01 | 27.19 | 27.49 (16/3) | 24.30 (3/1) | 32.43 (25/8/87) | 8.64 (1/10/74) |
| NYSE Composite | 163.41 | 163.80 | 163.13 | 164.66 | 168.10 (16/3) | 154.98 (3/1) | 187.99 (25/8/87) | 4.46 (25/4/42) |
| Amex Mkt. Value | 325.88 | 326.49 | 325.49 | 328.36 | 332.52 (16/3) | 305.24 (3/1) | 365.01 (13/8/87) | 29.31 (9/12/72) |
| NASDAQ OTC Comp | 400.57 | 401.77 | 398.50 | 402.19 | 409.51 (16/3) | 378.56 (3/1) | 455.26 (26/8/87) | 54.87 (31/10/72) |

| | Mar 17 | Mar 10 | Mar 3 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.70 | 3.70 | 3.70 | 3.35 |

| | Mar 15 | Mar 8 | Mar 1 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 3.13 | 3.16 | 3.23 | 2.94 |
| S & P Indl. P/E ratio | 13.17 | 13.04 | 12.68 | 15.35 |

TRADING ACTIVITY † Volume Millions

| | Mar 22 | Mar 21 | Mar 20 |
|---|---|---|---|
| New York | 146.570 | 142.010 | 151.558 |
| Amex | 8.929 | 9.953 | 10.021 |
| OTC | (u) | 123.726 | 119.842 |

| NEW YORK | Mar 22 | Mar 21 | Mar 20 |
|---|---|---|---|
| Issues Traded | 1,935 | 1,928 | 1,932 |
| Rises | 593 | 870 | 353 |
| Falls | 782 | 542 | 1,133 |
| Unchanged | 560 | 516 | 446 |
| New Highs | 19 | 12 | 14 |
| New Lows | 39 | 39 | 41 |

### CANADA

| TORONTO | Mar 22 | Mar 21 | Mar 20 | Mar 17 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3267.9 | 3324.9 | 3323.9 | 3400.4 | 3564.9 (6/2) | 3207.5 (3/1) |
| Composite | 3558.1 | 3578.2 | 3576.7 | 3614.4 | 3696.1 (8/2) | 3350.5 (6/1) |
| MONTREAL Portfolio | 1765.22 | 1779.42 | 1776.58 | 1798.99 | 1850.44 (8/2) | 1677.48 (3/1) |

### NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Digital Equipment | 3,540,400 | 96⅛ | −10⅝ |
| IBM | 2,594,700 | 109¾ | − ⅝ |
| Union Carbide | 1,851,500 | 30 | − ¼ |
| Bojohn | 1,760,000 | 28¼ | − ⅝ |
| Illinois Power | 1,394,200 | 17⅞ | + ⅛ |
| Bankers Tst. | 1,287,000 | 40¼ | − ⅝ |
| BankAmerica | 1,247,800 | 22⅞ | + ⅛ |
| AT&T | 1,216,500 | 31½ | − ⅛ |
| Wal-Mart | 1,101,400 | 32¼ | + ¼ |
| Tosco | 1,039,000 | 4¼ | + ⅛ |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Mar. 22 | Mar. 21 | Mar 20 | Mar 17 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1488.7 | 1483.6 | 1484.4 | 1496.5 | 1551.7 (31/1) | 1468.1 (17/2) |
| All Mining (1/1/80) | 694.2 | 687.5 | 686.9 | 691.6 | 727.0 (26/1) | 654.6 (16/2) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 274.52 | 272.63 | 269.32 | 265.92 | 274.52 (22/3) | 219.5 (2/1) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 5665.59 | 5650.62 | 5669.38 | 5734.11 | 5834.01 (10/2) | 5519.30 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | 285.67 | 286.49 | 288.00 | 291.83 (10/2) | 273.49 (27/2) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 779.0 | 781.4 | 775.4 | 791.7 | 791.7 (14/3) | 723.3 (4/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 442.4 | 436.2 | 436.1 | 446.5 | 457.3 (6/2) | 417.9 (4/1) |
| Ind. Tendance (30/12/88) | 103.4 | 102.9 | 101.7 | 103.6 | 108.1 (3/2) | 97.5 (27/2) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 550.68 | 548.54 | 547.50 | 557.52 | 569.27 (8/2) | 535.78 (27/2) |
| Commerzbank (1/12/53) | 1638.4 | 1631.8 | 1628.5 | 1660.2 | 1705.6 (5/1) | 1599.7 (27/2) |
| DAX (30/12/87) | 1303.67 | 1303.28 | 1303.36 | 1322.69 | 1371.10 (5/1) | 1271.70 (23/2) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 3037.05 | 3056.43 | 3046.73 | 3136.94 | 3209.96 (9/3) | 2706.69 (3/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 598.64 | 591.85 | 592.29 | 598.73 | 615.89 (17/1) | 577.49 (28/2) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 31443.24 | (c) | 31654.80 | 32021.0 | 32452.49 (23/2) | 30183.79 (5/1) |
| Tokyo SE (Topix) (4/1/68) | 2370.06 | (c) | 2393.04 | 2419.59 | 2490.07 (8/2) | 2366.91 (6/1) |
| **NETHERLANDS** | | | | | | |
| CBS Tu Rtn Gen (End 1983) | 226.1 | 226.4 | 224.9 | 225.5 | 229.5 (16/3) | 208.3 (3/1) |
| CBS All Shr (End 1983) | 180.9 | 181.0 | 179.9 | 180.4 | 183.6 (16/3) | 166.7 (1/3) |
| **NORWAY** | | | | | | |
| Oslo SE (2/1/83) | 586.41 | 585.48 | 575.78 | 586.16 | 590.14 (7/3) | 467.17 (2/1) |
| **SINGAPORE** | | | | | | |
| Straits Times Ind. (30/12/66) | 1183.44 | 1175.46 | 1168.56 | 1187.53 | 1187.53 (17/3) | 1030.69 (4/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1635.0♦ | 1628.0 | 1632.0 | 1594.0 | 1635.0 (22/3) | 1291.0 (15/2) |
| JSE Industrial (28/9/78) | 2425.0♦ | 2436.0 | 2455.0 | 2430.0 | 2455.0 (20/3) | 1961.0 (3/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 278.03 | 277.26 | 278.44 | 279.10 | 283.93 (17/1) | 268.61 (1/3) |
| **SWEDEN** | | | | | | |
| Jacobson & P (31/12/56) | (u) | 3811.6 | 3834.9 | 3881.3 | 3889.9 (14/3) | 3333.9 (3/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 653.1 | 650.1 | 649.2 | 654.2 | 654.7 (16/3) | 613.1 (3/1) |
| **WORLD** | | | | | | |
| M S Capital Intl (1/1/70) | (u) | 496.7 | 493.6 | 500.2 | 519.0 (17/2) | 494.6 (6/1) |

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks
Wednesday 22 March 1989

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Fujita | 45.9m | 2,070 | +50 |
| Taisei | 37.9m | 1,890 | uch |
| Kumagai | 32.4m | 1,800 | -80 |
| Nippon Steel | 31.7m | 890 | -22 |
| Mitsubishi Metal | 23.3m | 1,080 | +20 |
| Komatsu | 22.6m | 1,370 | uch |
| Kobe Steel | 22.5m | 888 | -18 |
| Acid Corp | 22.3m | 1,850 | -10 |
| Kajima | 21.6m | 2,540 | +30 |
| Kawasaki Heavy Ind | 14.5m | 887 | -28 |

3pm prices March 22

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A – A – A – | | | | | | | | |
| 29 | 21¼ | AAR | .44 | 1.6 | 18 | 285 | 27½ | 27 | 27⅛ | + ½ |
| 10⅛ | 8⅜ | ACM n | 1.01 | 12. | | 149 | 8⅝ | 8½ | 8⅝ | |
| 11⅞ | 10¼ | ACMIn | 1.26e | 12. | | 605 | 10⅝ | 10½ | 10½ | – ⅛ |
| 10⅛ | 8½ | ACM M | n1.01 | 12. | | 278 | 8⅝ | 8½ | 8⅝ | + ⅛ |
| 11⅞ | 10¼ | ACM Sc | 1.26 | 12. | | 808 | 10⅝ | 10½ | 10½ | |
| 10⅛ | 8½ | ACMSp | n.85e | 9.7 | | 290 | 8⅞ | 8¾ | 8¾ | |
| 5⅛ | 2⅞ | AMCA | .12e | 3.3 | | 5 | 3⅝ | 3⅝ | 3⅝ | – ⅛ |
| 6⅛ | 3⅜ | AM Intl | | | | 1058 | 5¾ | 5⅝ | 5⅝ | – ⅛ |
| 23⅛ | 18⅛ | AM Int pf | 2 | 8.8 | | 56 | 22¾ | 22⅝ | 22¾ | |
| 62⅛ | 39 | AMR | | | 7 | 3768 | 58½ | 57¾ | 58 | –1 |
| 24⅞ | 23 | ANR pf | 2.12 | 9.1 | | 1 | 23¼ | 23¼ | 23¼ | – ½ |
| 9½ | 4⅞ | ARX | | | | 67 | 5 | 4⅞ | 4⅞ | – ⅛ |
| 47¼ | 35¼ | ASA | 3a | 7.2 | | 259 | 42 | 41¼ | 41⅞ | |
| 20⅛ | 14¾ | AVX | .24 | 1.5 | 8 | 1043 | 16¾ | 16¼ | 16¼ | – ⅜ |
| 53⅞ | 42⅞ | AbtLab | 1.40 | 2.7 | 16 | 3643 | 52¼ | 51⅝ | 51¾ | – ½ |
| 20⅞ | 15⅝ | AbitibI g | 1 | | | 242 | 16½ | 16⅜ | 16½ | + ⅛ |
| 13⅞ | 7½ | AcmeC | .40 | 4.1 | | 49 | 9⅞ | 9¾ | 9¾ | – ⅛ |
| 8¼ | 6⅞ | AcmeE | .32 | 4.4 | 28 | 24 | 7¼ | 7⅛ | 7¼ | + ⅛ |
| 30¼ | 20¼ | Acuson | | | 28 | 145 | 27⅞ | 27¼ | 27⅞ | |
| 16⅞ | 14½ | AdaEx | 1.82e | 13. | | 172 | 14⅝ | 14½ | 14½ | |
| 16⅞ | 7⅞ | AMD | | | 9 | 1007 | 8¼ | 8 | 8⅛ | – ⅛ |
| 43½ | 28¼ | AMD pf | 3 | 9.4 | | 5 | 32 | 32 | 32 | + ⅛ |
| 8⅞ | 6½ | Adobe | | | | 15 | 7⅞ | 7¼ | 7⅞ | |
| 18½ | 16½ | Adob pf | 1.84 | 11. | | 7 | 17⅜ | 17¼ | 17⅜ | + ⅛ |
| 21¼ | 20 | Adob pf | 2.40 | 12. | | 2 | 20¼ | 20¼ | 20¼ | |
| 52½ | 38½ | AetnLf | 2.76 | 5.5 | 9 | 1548 | 50¼ | 49¾ | 50⅛ | |
| 44½ | 24 | AhmPb s | .22 | .5 | | 2313 | 40½ | 40 | 40⅜ | |
| 16¼ | 13¼ | Ahmans | .88 | 5.3 | 8 | 1679 | 16⅝ | 16½ | 16⅝ | – ⅛ |
| 4⅝ | 2¼ | Aileen | | | 78 | 40 | 3⅜ | 3¼ | 3⅜ | – ⅛ |
| 50⅞ | 37⅞ | AirPrd | 1.20 | 2.8 | 11 | 1260 | 42¼ | 41⅞ | 42⅛ | |
| 28½ | 15½ | AirbFrt | .60 | 2.3 | 25 | 211 | 27⅛ | 25¾ | 25⅞ | –1⅛ |
| 19 | 11⅞ | Airgas | | | 11 | 129 | 17⅛ | 17 | 17¼ | + ⅛ |
| 20½ | 17⅝ | Airlease | 2.40 | 12. | 9 | 30 | 19⅞ | 19⅝ | 19⅞ | |
| [illegible] | | | | | | | | | | |


Continued on Page 53

# NYSE COMPOSITE PRICES

Continued from previous Page

# OVER-THE-COUNTER

Nasdaq national market, 3pm prices March 22

# AMEX COMPOSITE PRICES

3pm prices March 22

## AMERICA

# Worries about DEC orders unsettle Dow

### Wall Street

A MODEST improvement in bond prices was more than offset by bad news on sales and profits from Digital Equipment, and Wall Street spent yesterday morning trading listlessly below Tuesday night's close, *writes Anatole Kaletsky in New York.*

A small initial pick-up in equity prices was stopped in its tracks almost immediately after the opening bell, as traders learned of a big imbalance in the stock of Digital Equipment Corporation.

Trading in DEC's shares was briefly suspended and the stock, one of the biggest institutional favourites in the 12 months preceding Black Monday, eventually opened almost 10 per cent below its overnight level. With all other technology issues moving lower in sympathy, the Dow Jones Industrial Average was down about 10 points for much of the day.

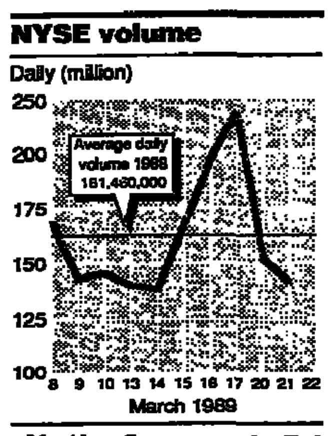
Bargain-hunting by institutions put a firm floor under equity prices, however, and the Dow closed only 3.04 down at 2,263.21. Trading was moderate, with 148m shares changing hands, and declining stocks outnumbered those gaining by 782 to 595.

Expectations when the market opened had been more bullish, because of an advance in bond prices in response to the figures on durable goods orders in February. The orders figures showed an unexpected 3.6 per cent drop, the second large decline in two months.

This raised the bond market's hopes that the economy was finally slowing down in response to the Federal Reserve tightening moves and that no further increases in interest rates would be necessary to control inflation.

However, the bullishness in the bond market was mitigated by a drop in the dollar as well as by the notoriously volatile nature of the statistics on goods orders.

The Treasury's benchmark long bond ended ⅛ up at 96⅞, to yield 9.23 per cent. The dollar weakened to DM1.8650 and Y131.05, responding to the orders figures and to comments by Fed officials.




Mr Alan Greenspan, the Fed chairman, and Mr Manuel Johnson, the vice chairman, suggested on Capitol Hill that the markets had overreacted to recent inflation figures and said that the economy had not yet responded fully to tightening moves already undertaken by the Fed. This suggested to some analysts that a further imminent increase in US interest rates was unlikely.

Apart from broader economic developments, equity traders were preoccupied with events in the technology sector, as it emerged that the DEC suspension had been due to bearish analyst briefings by the company. Although DEC made no comment, analysts reported that its orders in the first quarter were substantially below expectations and slashed their earnings projections by 20 per cent or more.

DEC's shares closed more than 10 per cent down at $95⅞, a fall of $11⅛. The stock was easily the busiest on Wall Street, with about 3.5m shares traded. Most other computer stocks fell in parallel, with IBM down by $¾ to $109¾ and Wang, one of the busiest stocks on the American Exchange, down $⅝ at $8⅝.

Other earnings upsets included that of Salomon Brothers, which said it would lose money in the first quarter because of trading losses in the bond market. The shares fell $⅞ to $24⅞.

Another company predicting poor results was Ashland Oil, which said it would report a first quarter loss. It fell $1¾ to $38.

Among the day's significant gains was that by BankAmerica, which said it had acquired an option to buy back part of its headquarters building – a move analysts viewed as an indication of the bank's financial recovery. The stock rose $¼ to $22⅝.

John Wiley, one of the few remaining US book publishers which has not yet been subject to a takeover bid, advanced $1⅛ to $54½ on news that an investor group led by Mr Theodore Cross had raised its strategic stake to 14.5 per cent of its Class A shares.

### Canada

AN INCREASE in Canadian banks' prime lending rate touched off a retreat by Toronto share prices, which closed broadly lower. Canada's leading banks raised their prime rates to 13.5 per cent from 12.75 per cent.

The composite index lost 20.1 to 3,558.1 as declining stocks outnumbered those advancing by 402 to 249 on light turnover of 14.2m shares.

# NTT shares fall below issue price

**By Ian Rodger in Tokyo**

THE SHARES of Nippon Telegraph and Telephone (NTT), Japan's scandal-tainted telecommunications giant, yesterday fell for the first time below Y1.6m ($12,200), the price at which the first tranche of shares was launched on a wave of national pride and stock market frenzy about two years ago.

The shares, which soared to nearly Y3.2m in the immediate aftermath of the initial issue, closed yesterday at Y1.58m and analysts in Tokyo saw little prospect of an early recovery from this level.

"Psychologically, this is very bad news," said Mr Nick Deterding of Kleinwort Benson Securities.

The NTT share price has always been controversial. At its peak, it was a breathtaking 200 times the company's net earnings, and even at yesterday's close it was a lofty 105 times estimated 1988/89 earnings.

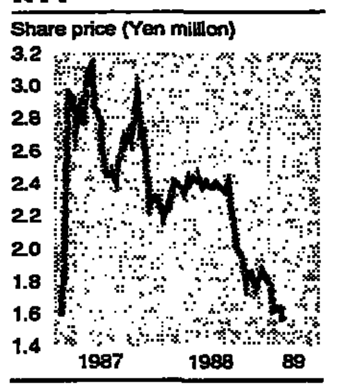
The company was once seen as a standard bearer of Japan's technological thrust and its shares were much in demand when the Government began to sell off its holdings. Such was the Japanese feeling about NTT that foreigners were not allowed – and are still not allowed – to buy the shares.

Today, however, NTT is in disarray. Its chairman and two managing directors have had to resign and are currently in jail facing charges of taking bribes from the Recruit publishing group. Profit growth is being hurt by the introduction of competition in its main business, and a movement to break up the company is gathering pace.

Ironically, while yesterday's sorry milestone was being crossed on the Tokyo Stock Exchange, a Japanese Finance Ministry official was proposing in the Diet (Parliament) that the law be amended so that foreigners could buy NTT shares.

That, said Mr Kazumoto Adachi, the Ministry of Finance director general in charge of selling off government assets, would contribute to smoothing further NTT share sales.

"I am not sure that any foreigner would be mug enough to buy the shares now. There are a lot more attractive telephone companies around the world to buy," said Mr Deterding.




On the other hand, if the current price trend continues, at least foreign investors would pay less for the shares than the Japanese have.

## SOUTH AFRICA

GOLD shares ended mostly higher in Johannesburg as the bullion price remained steady and the financial rand weakened. Industrial stocks were mixed to lower.

De Beers rose a further R1.90 to R62.15, after the previous day's news that it is raising rough diamond prices.

## ASIA PACIFIC

# Inactivity of institutions depresses Nikkei further

### Tokyo

ECONOMIC and political uncertainty, coupled with a distinct lack of activity by institutional investors, badly undermined confidence in equities yesterday and sent them plunging again in moderate trading, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average made a show of strength in early trading but quickly lost its momentum and closed down 211.55 to 31,433.24. The average's high for the day was 31,788.35 while the low was 31,343.55. Declines led advances by 681 to 250, with 148 issues were unchanged.

Turnover rose to 1bn shares from 930m traded on Monday. The Topix index of all listed shares dropped 22.98 to 2,370.06, but in later trading in London the ISE/Nikkei 50 index edged 3.36 points higher to 1,878.40.

Investors' efforts to revive the market in early trading soon failed as it became clear that institutions were not going to take any risks just before their books close at the end of the month.

The market generally comes under selling pressure at the end of the business year, but the unwinding of positions appears to have taken place earlier than usual this time, analysts said. Because the year-end is so close, there was also very little buying at lower levels.

Nippon Telegraph and Telephone, the recently privatised telecommunications company, dropped below its issue price of Y1.6m for the first time, closing down Y20,000 at Y1.58m.

Although NTT shares have suffered from the Recruit scandal, they had previously attracted buying as they approached the psychologically important level of Y1.6m. However, the fall did not come as much of a surprise to investors and it helped to confirm suspicions that the market was undergoing a period of weakness, according to Mr Hiroshi Taguchi of Nomura Securities.

The construction sector, which has maintained its strength even while the market has slumped, was mixed yesterday.

Fujita, the medium-sized company that has risen on the strength of record profits as well as on the general momentum of the sector, was the most actively traded stock on 45.9m shares and rose Y50 to Y2,070.

Taisei, which followed with 37.9m shares traded, was unchanged at Y1,890. Kumagai, third in volume terms with 32.4m shares, lost Y80 to Y1,800.

Large capital steels and shipbuildings lost further ground on continuing fears of interest rate hikes. Nippon Steel dropped Y22 to Y890 and Kobe Steel fell Y18 to Y865. Kawasaki Heavy Industries lost Y28 to Y887.

Mitsubishi Metal Mining gained Y20 to Y1,090 in heavy trading after hitting a new high of Y1,100 during the day. It was sought for its efforts to improve cost competitiveness and for a plan to redevelop the site of its Tokyo works into an office building and shopping centre complex.

The market in Osaka was weak almost across the board although some construction and special situation stocks managed to make gains. The OSE average dropped 181.20 to 29,885.39. Volume fell to 138m shares from 174m traded on Monday.

Nintendo, which has been very successful with its video computer games, advanced Y880 to Y8,700 on news that the company has licensed software makers to develop and sell software for its new television computer game.

### Roundup

THE US inflation figures were a positive influence in Asia Pacific markets, although profit-taking emerged in response to early gains and Hong Kong ended lower.

SINGAPORE had a hectic session as volume soared to new highs and share prices firmed across the board. The Straits Times industrial index added 7.98 to 1,183.44, finishing below its peak on profit-taking after being up about 11 points.

Turnover reached a record 121m shares – beating the 118m recorded the previous Wednesday – with demand focusing on warrants and lower-priced issues.

Multipurpose saw 9.5m shares traded and closed 8 cents higher at 85 cents. There is talk of a possible merger with fellow Malaysian company Perlis, which added 10 cents to S$5.40.

AUSTRALIA took heart from the US inflation news and closed slightly higher in spite of early overseas selling of Elders IXL.

The All Ordinaries index rose 5.1 to 1,488.7 and turnover reached 99.7m shares worth A$185m.

Elders fell 13 cents to A$2.79 after its bid for Scottish & Newcastle Breweries was blocked by Britain's Department of Trade and Industry. More than 9m shares changed hands, with much of the selling coming from Europe.

Chase Corp rose another 7 cents to 42 cents after AFP, which declined 3 cents to A$1.22, agreed to take a 20 per cent stake.

Blue chip industrials had a good day, with News Corp up 5 cents at A$11.65, Brambles rising 10 cents to A$11.40, Boral adding 5 cents to A$3.36 and Arnotts gaining 4 cents to A$5.30.

HONG KONG saw its early jump erased by profit-taking as the weekend holiday approached. The Hang Seng index rose 25 points at the start of the day, only to end 19.38 lower at 3,037.05.

Hongkong Land was the most active stock and ended steady at HK$10.90.

New World Development lost 50 cents to HK$14.10 after news of its HK$1bn bond issue and a takeover offer for Wing On, the department store group.

NEW ZEALAND welcomed the economic statement by Finance Minister David Caygill announcing higher corporate and consumer taxes and spending cuts, thus removing uncertainty about government policy. The Barclays Index climbed 36.2, or 1.9 per cent, to 1,925.31.

SEOUL shares dropped in active trading, after making moderate gains in the morning session. The composite index rose 7.90 points early in the day, but profit-taking by institutional investors left the index 11.08 lower at the close at 981.56.

## EUROPE

# Corporate developments add spice

THE *middle-ranking European bourses had the most fun yesterday, with corporate activity adding spice, writes Our Markets Staff.*

AMSTERDAM had another reasonably active day, with corporate speculation enlivening the scene. The CBS tendency index finished 0.5 higher at 170.5, but off the day's highs. Volume was similar to Tuesday's at Fl 740m.

Many Dutch institutional investors were attending a bank seminar which included a series of company presentations, and this apparently limited trading activity.

However, the transport and storage sector was lively again, with Pakhoed rising Fl 5.20, or 4 per cent, to Fl 125.50 on speculation that Bolloré of France was planning a takeover, a move described by one salesman as unlikely.

Van Ommeren Ceteco gained Fl 1.40 to Fl 44.60, with further talk about a possible bid from Holland America Line.

Steel stock Hoogovens rose Fl 1.40 to Fl 87.80 after hitting a peak of Fl 89.30 amid market expectations of a positive outlook for 1989 when the company reports next week.

Fokker rose 60 cents to Fl 48.10 after American Airlines confirmed its order for 75 F-100s and 75 options – an order worth some $3.09bn.

Office furniture group Ahrend was revived by fresh bid speculation after indications that paper and packaging group Bührmann-Tetterode had accumulated a stake of well over 30 per cent. Ahrend fell heavily on Tuesday, but in thin volume.

ZURICH had a healthy session as the food and pharmaceuticals sectors moved into the limelight, but many investors were already absent given the approach of the holidays. The Crédit Suisse index rose 2.2 to 558.5.

Record results and a higher dividend from Jacobs Suchard boosted its bearers to SFr7,550 *although they ended only* SFr50 up at SFr7,460. Nestlé bearers closed SFr80 higher at SFr7,250 before the release of its results, and there was talk of a one-for-20 rights issue.

Hoffmann-La Roche, the chemicals and pharmaceuticals stock, saw its baby certificates rise SFr100 to SFr14,600 amid rumours of a bonus issue and expectations of good results due in late April. Several houses have been recommending the stock as a buy.

*MILAN was cheered by* expectations of progress on the spending cuts question that has been dominating the market for weeks. The Comit index rose 6.35 to 598.64 and volume was estimated to have improved slightly on Tuesday's L130bn.

Leading insurer Generali rose a further L640 to L43,090, with foreign investors continuing to show interest. One analyst said the chart for Generali was looking more favourable *than that for Fiat and that* Italian brokers were pushing the stock for that reason. Rumours of a Generali scrip issue continued. Bank stocks were also strong again.

MADRID was in holiday mood, with sentiment cheered by the US inflation figure and waning fears of interest rate rises, and the general index rose 0.77 to 278.03.

Those stocks with listings in New York benefited from Wall Street's overnight firmness and Telefónica rose 3 to 183 while Endesa added 3.5 to 225. The market is closed today and tomorrow.

PARIS see-sawed throughout the session – the first of the new monthly account – and ended firmer but off its highs with only a few names standing out.

Valeo, the car components maker, announced a FFr800m equity warrants bond and fell FFr19 to FFr691 on fears of a dilution of the stock, though one salesman said these were unfounded. Its annual results *were in line with expectations.*

The securities regulatory commission gave conditional approval to the merger of investment bank Duménil and Cérus. Duménil rose FFr8 to FFr1000 but Cérus lost FFr9 to FFr409 amid some concern about the conditional nature of the approval.

The CAC 40 index fell 1.02 to 1,621.85 and the OMF 50 index edged up 0.23 to 458.42. Volumes were estimated at FFr1.5bn or more.

*FRANKFURT was noticeably* short on excitement on the corporate and economic front and shares ended mixed to higher, with many players unwilling to take positions before the four-day Easter weekend.

Although the published turnover in domestic shares was a high DM4.15bn, a large proportion of the activity appears to have taken place in Siemens, which holds its annual general meeting and goes ex a DM11 dividend.

Otherwise, the session "was one big yawn" said a trader. The FAZ index rose 2.14 to 550.68 but prices eased back in late trading and the DAX index ended just 0.39 higher at 1,303.67.

Chemical stocks were firm, with Hoechst gaining DM2 to DM296.70 after reporting a 31.5 per cent rise in 1988 profits. Bayer was up 50 pfg at DM294.50 and BASF added DM1.40 to DM284.70.

STOCKHOLM was also cheered by Wall Street, with the overnight blue collar wage *deal aiding sentiment. The* Affärsvärlden index rose 6.9 to 1,115.2.

Nordstjernan restricted B shares rose SKr1 to SKr183 after news of a doubling of annual profits and a dividend about six times higher than the previous year. Trelleborg free B shares climbed SKr18 to SKr383 before it announced the purchase of the conveyor belt division of Finland's Nokia.

BRUSSELS ended higher in response to Wall Street's firm*ness with the cash index rising* 14.97 to 5,665.59.

## FT-ACTUARIES WORLD INDICES

**Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries**

| NATIONAL AND REGIONAL MARKETS | WEDNESDAY MARCH 22 1989 | | | | | TUESDAY MARCH 21 1989 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1988/89 High | 1988/89 Low | Year ago (approx) |
| Australia (89) | 137.51 | -0.2 | 118.36 | 111.68 | 4.91 | 137.77 | 118.69 | 111.38 | 157.12 | 91.16 | 118.01 |
| Austria (18) | 107.15 | +0.4 | 92.23 | 104.27 | 2.41 | 106.70 | 91.92 | 103.69 | 107.15 | 83.72 | 92.05 |
| Belgium (63) | 129.94 | +0.6 | 111.84 | 125.94 | 4.11 | 129.36 | 111.44 | 125.33 | 139.89 | 99.14 | 135.12 |
| Canada (125) | 133.87 | -0.3 | 115.22 | 115.35 | 3.32 | 134.30 | 115.69 | 115.97 | 137.27 | 107.06 | 123.42 |
| Denmark (39) | 168.25 | +0.6 | 144.81 | 166.88 | 1.89 | 167.27 | 144.10 | 166.25 | 180.38 | 111.42 | 117.77 |
| Finland (26) | 145.77 | +0.0 | 125.47 | 129.10 | 1.42 | 145.81 | 125.61 | 128.98 | 147.07 | 106.78 | 124.28 |
| France (130) | 114.91 | -0.3 | 98.91 | 114.19 | 2.86 | 115.27 | 99.30 | 113.98 | 119.98 | 72.77 | 83.56 |
| West Germany (102) | 83.24 | +0.5 | 71.64 | 80.88 | 2.34 | 82.80 | 71.33 | 80.61 | 90.40 | 67.78 | 80.58 |
| Hong Kong (44) | 128.61 | -0.4 | 110.70 | 128.66 | 3.81 | 129.08 | 111.20 | 129.15 | 133.77 | 84.90 | 100.34 |
| Ireland (17) | 142.66 | +0.0 | 122.79 | 140.72 | 3.62 | 142.64 | 122.88 | 140.80 | 146.46 | 104.60 | 122.44 |
| Italy (98) | 80.75 | +1.0 | 69.50 | 82.87 | 2.44 | 79.91 | 68.84 | 81.88 | 86.88 | 62.99 | 78.65 |
| Japan (456) | 182.39 | -0.9 | 156.98 | 151.14 | 0.50 | 184.02 | 158.53 | 152.61 | 200.11 | 133.61 | 167.66 |
| Malaysia (36) | 161.37 | +0.9 | 138.90 | 171.01 | 2.68 | 159.92 | 137.76 | 169.56 | 161.37 | 107.83 | 121.31 |
| Mexico (13) | 166.54 | +0.0 | 143.34 | 433.91 | 1.18 | 166.61 | 143.53 | 433.91 | 182.24 | 90.07 | 139.22 |
| Netherland (39) | 116.16 | +0.0 | 99.98 | 111.78 | 4.52 | 116.16 | 100.07 | 112.02 | 117.71 | 95.25 | 109.72 |
| New Zealand (24) | 70.39 | +1.8 | 60.59 | 60.75 | 6.47 | 69.12 | 59.54 | 59.61 | 84.05 | 63.32 | 78.55 |
| Norway (26) | 171.16 | +0.1 | 147.32 | 157.74 | 1.83 | 171.05 | 147.36 | 157.87 | 174.29 | 98.85 | 123.56 |
| Singapore (26) | 146.64 | +1.9 | 126.21 | 131.10 | 2.07 | 145.22 | 125.10 | 129.82 | 147.62 | 97.32 | 113.57 |
| South Africa (60) | 141.75 | +0.0 | 122.00 | 127.77 | 3.96 | 141.68 | 122.06 | 126.94 | 141.89 | 98.26 | 135.96 |
| Spain (42) | 146.17 | +0.1 | 125.81 | 129.01 | 3.75 | 146.07 | 125.83 | 128.81 | 154.47 | 130.75 | 148.89 |
| Sweden (35) | 156.82 | +0.9 | 134.97 | 148.05 | 2.31 | 155.47 | 133.93 | 146.96 | 156.38 | 90.72 | 118.66 |
| Switzerland (57) | 75.18 | +0.4 | 64.71 | 75.63 | 2.50 | 74.89 | 64.51 | 75.31 | 86.75 | 74.13 | 84.72 |
| United Kingdom (314) | 147.42 | -1.0 | 126.88 | 126.88 | 4.41 | 148.85 | 128.23 | 128.23 | 153.33 | 120.66 | 139.27 |
| USA (568) | 118.27 | -0.3 | 101.79 | 118.27 | 3.67 | 118.59 | 102.16 | 118.59 | 121.90 | 99.19 | 109.62 |
| Europe (1006) | 117.90 | -0.2 | 101.48 | 108.66 | 3.58 | 118.14 | 101.78 | 108.97 | 120.88 | 97.01 | 109.94 |
| Nordic (126) | 148.67 | +0.6 | 127.96 | 145.86 | 2.02 | 147.79 | 127.32 | 145.18 | 149.38 | 95.22 | 110.51 |
| Pacific Basin (675) | 178.25 | -0.8 | 153.42 | 148.31 | 0.71 | 179.76 | 154.85 | 149.65 | 194.72 | 130.81 | 163.08 |
| Euro-Pacific (1681) | 154.14 | -0.6 | 132.67 | 132.45 | 1.60 | 155.13 | 133.64 | 133.39 | 164.22 | 120.36 | 141.84 |
| North America (693) | 119.10 | -0.3 | 102.51 | 118.12 | 3.65 | 119.43 | 102.88 | 118.46 | 122.71 | 99.78 | 110.36 |
| Europe Ex. UK (692) | 99.65 | +0.4 | 85.77 | 97.36 | 2.90 | 99.22 | 85.48 | 97.02 | 103.11 | 80.28 | 91.75 |
| Pacific Ex. Japan (219) | 128.64 | +0.0 | 110.72 | 112.57 | 4.38 | 128.67 | 110.85 | 112.34 | 137.65 | 87.51 | 107.80 |
| World Ex. US (1879) | 153.31 | -0.6 | 131.96 | 131.96 | 1.68 | 154.28 | 132.91 | 132.88 | 162.77 | 120.26 | 141.15 |
| World Ex. UK (2133) | 138.98 | -0.5 | 119.62 | 127.35 | 2.07 | 139.64 | 120.29 | 128.02 | 146.04 | 111.77 | 127.96 |
| World Ex. So. Af. (2387) | 139.70 | -0.5 | 120.25 | 127.30 | 2.28 | 140.44 | 120.98 | 128.03 | 146.65 | 113.26 | 128.91 |
| World Ex. Japan (1991) | 119.31 | -0.2 | 102.69 | 115.01 | 3.66 | 119.59 | 103.03 | 115.30 | 122.37 | 100.00 | 110.40 |
| The World Index (2447) | 139.72 | -0.5 | 120.26 | 127.29 | 2.29 | 140.44 | 120.99 | 128.01 | 146.51 | 113.37 | 128.96 |

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).



Mexican market closed on March 21.



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